MISSION POSSIBLE

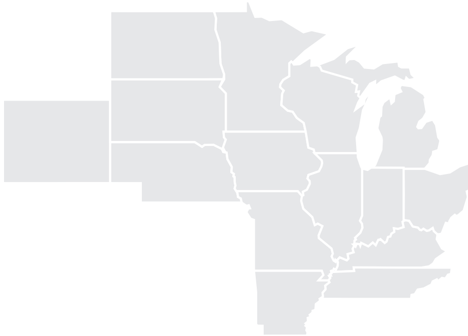
Supporting Farm Credit Associations that serve rural communities and agriculture.

AGRIBANK
2016 ANNUAL REPORT

AgriBank
FARM CREDIT BANK

WHO WE ARE

Providing reliable, consistent credit and financial services, today and tomorrow.



About AgriBank

AgriBank is one of the largest banks within the national Farm Credit System, with over $100 billion in total assets. Under the Farm Credit System's cooperative structure, AgriBank is primarily owned by 17 affiliated Farm Credit Associations. The AgriBank District covers America's Midwest, a 15-state area stretching from Wyoming to Ohio and Minnesota to Arkansas. With about half of the nation's cropland located in the AgriBank District and over 100 years of experience, the Bank and its Association owners have significant expertise in providing financial products and services for rural communities and agriculture. For more information about AgriBank, please visit www.AgriBank.com.

About Farm Credit

Farm Credit supports rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow. Farm Credit has been fulfilling its mission of helping rural America grow and thrive for a century by providing farmers with the capital they need to make their businesses successful, and by financing vital infrastructure and communication services. For more information about Farm Credit, please visit www.FarmCredit.com.

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LETTER TO SHAREHOLDERS

Mission Possible: supporting Farm Credit Associations that serve rural communities and agriculture.

left: Matt Walther, *Chair, AgriBank* *right:* Bill Thone, *CEO, AgriBank*

Dear Shareholders:

AgriBank — your funding Bank — remains a pillar of financial strength.

With new, yet familiar, leaders atop the AgriBank Board of Directors and executive team in 2016, AgriBank continued to deliver on our value proposition to provide our customers and owners — the 17 Farm Credit Associations that comprise the AgriBank District — with competitive funding and innovative financial solutions. Our underlying financial strength continued to provide a stable foundation for District Associations to support rural communities and agriculture with reliable, consistent credit and financial services, ultimately fulfilling the Farm Credit mission.

We marked our 100-year milestone with a mission that has remained fundamentally the same since our founding in 1916. Thanks to a willingness and ability to continually adapt to new challenges and opportunities, Farm Credit remains as relevant as ever to farmers, ranchers and other rural borrowers.

As evidence of AgriBank's and the District's financial strength, we are pleased to present our 2016 financial results. The following key financial measures reflect our strong performance for 2016:

- AgriBank loan volume increased 3.9 percent from the previous year to $86.1 billion, reflecting growth in wholesale loans to District Associations; and District loan volume increased 4.4 percent from the previous year to $99.1 billion, driven by District Associations fulfilling the Farm Credit mission to support farmers, ranchers and other customers with reliable, consistent credit
- AgriBank net income increased 11.7 percent from the previous year to $536.1 million, and District net income remained strong at $1.8 billion, driven by continued strong net interest income
- Shareholders' equity increased 6.0 percent to $5.5 billion for AgriBank and increased 7.7 percent to $20.8 billion for the District, positioning the Bank and District Associations to navigate through the current market cycle

Whatever economic cycles we face, we're committed to keeping capital flowing to rural America through District Associations.

- AgriBank credit quality remained strong, with AgriBank nonadverse loans at 99.8 percent and District nonadverse loans at 96.5 percent, reflecting disciplined underwriting combined with the adequate liquidity and strong equity positions of many borrowers
- AgriBank returned more than $332 million in earnings to our owners in the form of patronage refunds
- AgriBank net operating rate of 7.5 basis points increased from 7.3 basis points in 2015, reflecting strategic investments in core operations

Third parties that assess AgriBank and other financial institutions consistently recognize AgriBank for financial strength. In their latest reports, the top three credit rating agencies affirmed their strong ratings with stable outlooks for AgriBank (Fitch, AA-; Moody's, Aa3; Standard & Poor's, AA-).

Our continued prudent financial management enables AgriBank to, in turn, lend financial strength to District Associations.

Changing Landscape

AgriBank, Associations and Farm Credit customer-owners are several years into navigating a more challenging business cycle. We remain in an "agriculture efficiency cycle," when many producers are having to reduce operating costs to better align with commodity prices. Lower prices for key District crops such as corn, soybeans and wheat have contributed to moderating farmland values and lower levels of net farm income. Interest rates are on the rise, at least modestly, for the first time in a decade.

Producers generally entered this cycle with strong financial positions as evidenced by low debt-to-equity positions that have moderated in the past few years but remain manageable. Additionally, most producers use various forms of risk management practices to reduce income volatility. Farm Credit was created to help producers through all conditions. Whatever economic cycles we face, we're committed to keeping capital flowing to rural America through District Associations — capital that farmers, ranchers and other customers need to make their businesses successful — which means more jobs and economic growth, leading to more vibrant communities.

Farm Credit customer-owners will continue to face increasing risk, uncertainty and volatility. As we support District Associations in helping their customer-owners confront today's economic realities by making credit available at competitive rates, we will stay focused on our time-honored mission. This requires maintaining our strong financial foundation, enhancing our collaboration with District Associations and the entire Farm Credit System, and operating more efficiently.

A new administration and new Congress add to the uncertainty. Only time will tell what new leadership in

Washington will bring to agriculture and economic policies. The AgriBank District Farm Credit Council and national Farm Credit Council monitor the political climate. They stand ready to help Farm Credit speak with a consistent voice on issues important for the System, rural communities and agriculture.

Transitions are also on the horizon within the Bank and District organizations. The Bank is undertaking a strategic transition that includes defining our long-term role and purpose in serving District Associations. The most significant change will be the likely formation of a new, independent service entity effective at the start of 2018. The service entity will help the Bank and participating District Associations develop and maintain long-term, cost-effective technology and business services. AgriBank and the District Associations that own the service entity will be making more than an investment in technology. We'll be entering into a long-term commitment to working with each other on behalf of Farm Credit customer-owners. This commitment will provide greater stability for technology and business services across the District and enable AgriBank to focus on its core funding role.

Several District Associations also are banding together for the long term through mergers that are on track to take effect in 2017. Upon approval by the Farm Credit Administration (FCA) and the Associations' shareholders, AgStar Financial Services, Badgerland Financial and 1st Farm Credit Services plan to merge in 2017 to create Compeer Financial. AgCountry FCS and United FCS plan to merge in 2017 under the AgCountry name. These Associations already have strong, extensive working relationships that provide a good foundation to join forces. AgriBank supports the combinations as a way for these Associations to increase member value, diversify risk and improve client service. If these two mergers occur, AgriBank will support 14 Farm Credit Associations that continue to serve 15 states in the heart of America's production agriculture.

Timeless Mission

The AgriBank Board of Directors, executive leaders and others designate time and resources each year for strategic planning, when we determine how to position AgriBank for sustainable success. We remain dedicated to the Farm Credit mission to support rural communities and agriculture with reliable, consistent credit and financial services today and tomorrow. AgriBank's role supporting that mission remains unchanged. In examining how best to deploy our resources, we are strengthening our focus as a funding Bank for Associations. Accordingly, we refined the language in the Strategic Framework that describes our role in advancing the mission as follows:

A new, independent service entity will help the Bank and District Associations develop and maintain long-term, cost-effective technology and business services.

We remain dedicated to the Farm Credit mission to support rural communities and agriculture with reliable, consistent credit and financial services today and tomorrow.

- **Vision:** We create value that empowers our owners to be the preferred financial partner for rural communities and agriculture
- **Value Proposition:** As a Farm Credit Bank, we collaborate with our owners to deliver competitive funding and innovative financial solutions
- **Guiding Principles:**

  Smart. We optimize our effectiveness

  Safe. We enhance our risk management capabilities

  Innovative. We provide enhanced products and services

  Collaborative. We facilitate relationships across the Bank, District and System

This language helps clarify the Bank's role for all stakeholders — including directors, management and employees of the Bank and District Associations. Every decision we make and everything we do follows from this framework.

Strategic Imperatives

Through our strategic planning process, we identified three Strategic Imperatives in our 2017-2021 Business Plan to fully optimize our business model: Excel Operationally, Strengthen Relationships and Drive Capital Efficiency. These Strategic Imperatives are multi-year areas of focus that provide the roadmap to achieve our Vision and which will ultimately complement and enhance our core business. Each of the 2017-2021 Strategic Imperatives has corresponding goals for AgriBank management and staff.

The AgriBank board will measure the Bank's progress toward achieving the Strategic Imperatives based on feedback from Associations. They will use a scorecard that includes, in addition to a number of financial measures, the following goals for 2017:

Excel Operationally — As the lifeblood and foundation of AgriBank's success as the District's funding Bank, it is critical we deliver well-executed operations and services that contribute to the success of our customer-owners in their marketplaces.

Strengthen Relationships — District Associations are our owners, customers and long-term business partners. We engage in an intentional approach of actively listening to Associations to understand their expectations of AgriBank, their business challenges and strategies, and how AgriBank can deliver solutions and services that align with them and assist them in serving their marketplaces.

Drive Capital Efficiency — Collaborating with Associations requires us to challenge how we manage our financial resources so that we can best meet their needs and those of their customer-owners.

These Strategic Imperatives represent opportunities to improve what we already do well. Our net operating rate reflects a high degree of efficiency along with necessary strategic investments.

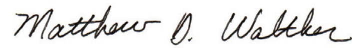
The 2016 AgriBank Customer Satisfaction Survey reflects that District Associations continue to be highly satisfied with their relationship with the Bank — awarding an overall 98 percent customer satisfaction rating. And the Bank's regulatory capital ratios all remain well within or above regulatory minimums and AgriBank-targeted levels. By continuing to do what we do best, and doing it even better, AgriBank will fortify our ability to help ensure continued dependable, efficient and sustainable funding across the District.

Funding Focus

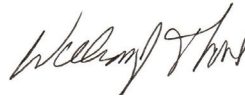
AgriBank and District Associations are inextricably linked in our collective efforts to support the Farm Credit mission. We are moving forward with a sharpened view of our role as a funding Bank in support of District Associations' efforts in their retail marketplaces. We will share greater success if we all focus on what we do best.

AgriBank supports District Associations. District Associations support farmers, ranchers and other Farm Credit customer-owners. Those farmers and ranchers, in turn, feed the world. This higher sense of purpose — supporting the people who feed the world — is what energizes AgriBank employees to do their best every day. With their hard work, and dedication from your AgriBank Board of Directors, we strive to make the **Mission Possible — Supporting Farm Credit Associations That Serve Rural Communities and Agriculture**.

To District Associations, thank you for the confidence you place in us to provide you with the most competitive funding and financial solutions. And thanks to the farmers, ranchers and others who have placed their trust in Farm Credit to help them succeed for more than 100 years. From our solid foundation of financial strength, we expect to help you succeed for another 100 years.



Matthew D. Walther
Chair, AgriBank, FCB



William J. Thone
CEO, AgriBank, FCB

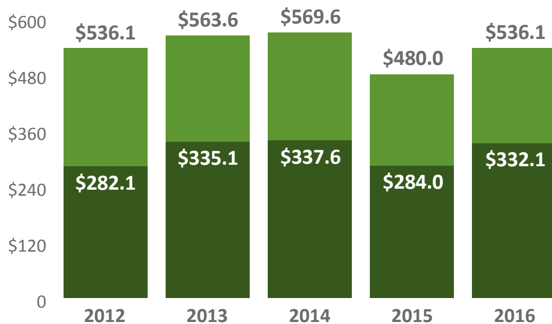
By continuing to do what we do best, and doing it even better, AgriBank will fortify our ability to help ensure continued dependable, efficient and sustainable funding across the District.

PERFORMANCE HIGHLIGHTS

Reporting strong net income, sound credit quality, and robust liquidity and capital.

AgriBank Net Income and Patronage

Millions of Dollars



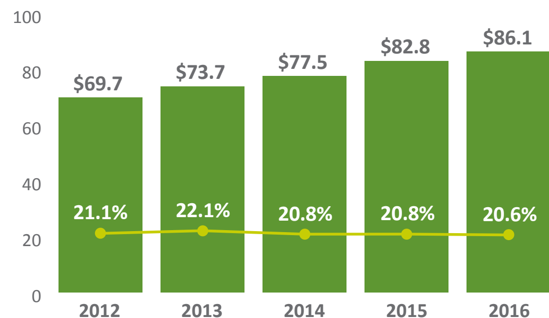
AgriBank Net Income AgriBank Patronage

Strong net interest income generates earnings, patronage

- AgriBank returned nearly $332.1 million in earnings to owners in the form of patronage refunds
- AgriBank net income increased 11.7 percent from the previous year to $536.1 million
- Earnings generated by continued strong net interest income

AgriBank Loan Portfolio and Permanent Capital Ratio

Billions of Dollars or %



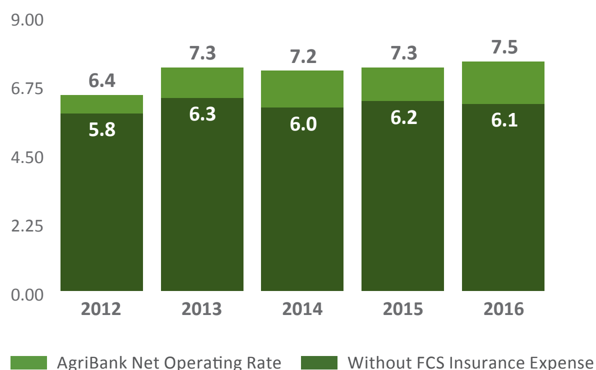
AgriBank Loan Portfolio AgriBank Permanent Capital Ratio

District Association loan growth boosts AgriBank loan portfolio

- AgriBank loan portfolio increased 3.9 percent from the previous year to $86.1 billion, reflecting growth in wholesale loans to District Associations
- AgriBank shareholders' equity remained robust, increasing 6.0 percent from the previous year to $5.5 billion, contributing to a continued strong permanent capital ratio of 20.6 percent, as the loan portfolio continued to grow

AgriBank Net Operating Rate

Basis Points

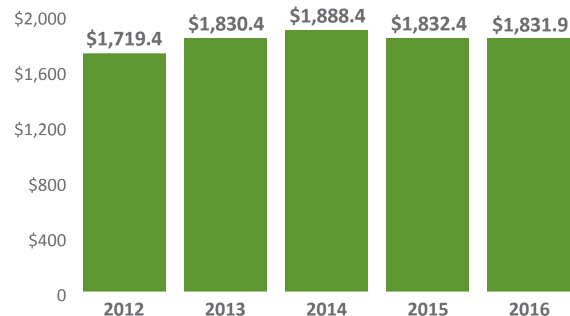


Disciplined investments help control expenses

- AgriBank net operating rate of 7.5 basis points increased slightly from 7.3 basis points in 2015
- Reflects disciplined expense management and offset by increased Farm Credit System insurance fund expense
- Influenced by prudent strategic investments expected to improve operating efficiency in core operations

District Net Income

Millions of Dollars

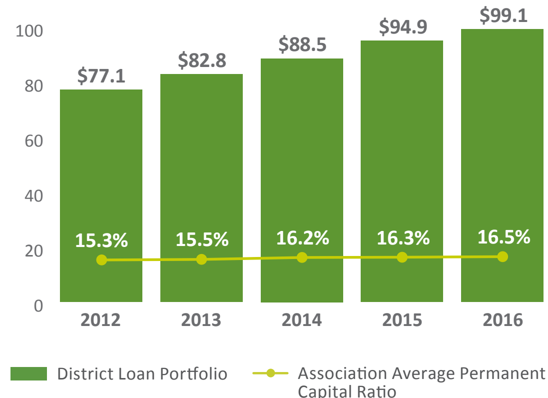


Continued District financial strength reflected in strong earnings

- Strong net income for the District at $1.8 billion
- Attributable to strong and steady net interest income and disciplined lending practices, offset by increased provision for loan losses and increased Farm Credit System insurance fund expense
- Strategic investments across the AgriBank District in technology and human capital are expected to position the District to remain at the forefront of agricultural finance

District Loan Portfolio and Association Average Permanent Capital Ratio

Billions of Dollars or %

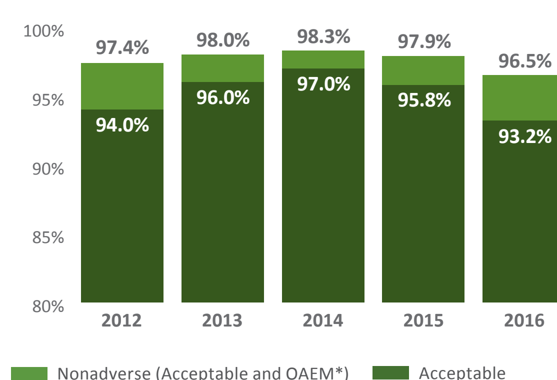


Customer-owners benefit from prudent leveraging of District capital

- District loan portfolio increased 4.4 percent from the previous year to $99.1 billion, driven by Associations fulfilling the Farm Credit mission to support farmers, ranchers and other customers with reliable, consistent credit
- Association average permanent capital ratio improved and remained strong at 16.5 percent, as the District loan portfolio continued to grow
- District Associations are well-positioned to navigate through all agricultural cycles

District Credit Quality

Nonadverse Loans %



District credit quality has moderated but remains strong

- District portfolio had 96.5 percent nonadverse loans, which represent the highest quality assets (acceptable and OAEM), down slightly from 97.9 percent in 2015 and slightly below the 15-year average of 97.4 percent
- Strong loan portfolio quality has begun and will continue to revert to levels more in line with historical norms due to reduced net farm income and current economic conditions
- Favorable credit quality of District loan portfolio reflects disciplined underwriting combined with the adequate liquidity and strong equity positions of many borrowers

*Other Assets Especially Mentioned

BOARD OF DIRECTORS

Standing from left to right:

Brian Peterson, Natalie Laackman, Dan Shaw, Leon Westbrock, Matt Walther (Chair), Keri Votruba (Vice Chair), Tom Klahn, Dan Flanagan, Bill Stutzman, Ernie Diggs, Ed Breuer, Stan Claussen, Tony Wilkie

Seated from left to right:

Nick Vande Weerd, John Schable, Roy Tiarks, John Schmitt, Dick Davidson

EXECUTIVE LEADERSHIP

Standing from left to right:

Brian O'Keane, *Executive Vice President, Banking and Finance, and Chief Financial Officer;* Jerry Lehnertz, *Senior Vice President, Credit;* Bill Thone, *Chief Executive Officer;* Jeff Swanhorst, *Executive Vice President, Credit, and Chief Credit Officer;* Jim Jones, *Senior Vice President, Chief Risk Officer;* Ruth Anderson, *Vice President, Business Services*

Seated from left to right:

Pat Jones, *Senior Vice President, Human Resources and Communications;* Barb Stille, *Senior Vice President and General Counsel;* Jeff Moore, *Senior Vice President, Finance*

DISTRICT ASSOCIATIONS

Providing farmers with the capital they need to make their businesses successful.

AgriBank supports the following 17 Farm Credit Associations that serve rural communities and agriculture in 15 states. Under our unique cooperative structure, the farmers, ranchers and agribusinesses Farm Credit serves own these local Associations, which in turn are the primary customers and owners of AgriBank.

1st Farm Credit Services, ACA
2000 Jacobssen Drive
Normal, IL 61761
(309) 268-0100
www.1stfarmcredit.com

AgCountry Farm Credit Services, ACA
1900 44th St. S
Fargo, ND 58108
(701) 282-9494
www.agcountry.com

AgHeritage Farm Credit Services, ACA
119 E. Third St., Suite 200
Little Rock, AR 72201
(800) 299-2290
www.agheritagefcs.com

AgStar Financial Services, ACA
1921 Premier Drive
Mankato, MN 56001
(507) 387-4174
www.agstar.com

Badgerland Financial, ACA
1430 North Ridge Drive
Prairie du Sac, WI 53578
(800) 356-2197
www.badgerlandfinancial.com

Delta Agricultural Credit Association
118 E. Speedway
Dermott, AR 71638
(870) 538-3258
www.deltaaca.com

FCS Financial, ACA
1934 E. Miller St.
Jefferson City, MO 65101
(573) 635-7956
www.myfcsfinancial.com

Farm Credit Illinois, ACA
1100 Farm Credit Drive
Mahomet, IL 61853
(217) 590-2200
www.fcsillinois.com

Farm Credit Mid-America, ACA
1601 UPS Drive
Louisville, KY 40223
(502) 420-3700
www.e-farmcredit.com

Farm Credit Midsouth, ACA
3000 Prosperity Drive
Jonesboro, AR 72404
(870) 932-2288
www.farmcreditmidsouth.com

Farm Credit Services of America, ACA
5015 S. 118th St.
Omaha, NE 68137
(402) 348-3333
www.fcsamerica.com

Farm Credit Services of Mandan, ACA
1600 Old Red Trail
Mandan, ND 58554
(701) 663-6487
www.farmcreditmandan.com

Farm Credit Services of North Dakota, ACA
3100 10th St. S.W.
Minot, ND 58702
(701) 852-1265
www.farmcreditnd.com

Farm Credit of Western Arkansas, ACA
3115 W. 2nd Court
Russellville, AR 72801
(479) 968-1434
www.myaglender.com

GreenStone Farm Credit Services, ACA
3515 West Road
East Lansing, MI 48823
(800) 968-0061
www.greenstonefcs.com

Progressive Farm Credit Services, ACA
1116 N. Main St.
Sikeston, MO 63801
(573) 471-0342
www.progressivefcs.com

United FCS, ACA
4401 Highway 71 S.
Willmar, MN 56201
(320) 235-1912
www.unitedfcs.com

Five-Year Summary of Selected Financial Data

AgriBank, FCB

(in thousands)	**2016**	2015	2014	2013	2012
Statement of Condition Data					
Loans	**$86,078,402**	$82,819,652	$77,546,155	$73,677,222	$69,698,631
Allowance for loan losses	**21,282**	18,076	12,520	10,100	13,275
Net loans	**86,057,120**	82,801,576	77,533,635	73,667,122	69,685,356
Investment securities	**14,897,252**	14,262,883	14,294,777	11,555,272	10,987,313
Other property owned	**349**	565	1,822	1,613	1,972
Other assets	**1,608,575**	2,441,810	2,562,217	2,465,656	1,570,358
Total assets	**$102,563,296**	99,506,834	94,392,451	87,689,663	82,244,999
Obligations with maturities of one year or less	**$34,735,054**	$31,555,565	$28,137,696	$24,416,622	$24,826,267
Subordinated notes with maturities greater than one year	**--**	498,283	497,899	497,547	497,226
Other obligations with maturities greater than one year	**62,342,139**	62,278,870	60,840,811	57,854,176	52,665,725
Total liabilities	**97,077,193**	94,332,718	89,476,406	82,768,345	77,989,218
Perpetual preferred stock	**250,000**	250,000	250,000	250,000	--
Capital stock and participation certificates	**2,183,701**	2,063,343	1,944,292	2,109,843	1,990,047
Unallocated surplus	**3,132,432**	2,945,638	2,766,818	2,552,005	2,330,060
Accumulated other comprehensive (loss) income	**(80,030)**	(84,865)	(45,065)	9,470	(64,326)
Total shareholders' equity	**5,486,103**	5,174,116	4,916,045	4,921,318	4,255,781
Total liabilities and shareholders' equity	**$102,563,296**	99,506,834	94,392,451	87,689,663	82,244,999
Statement of Income Data					
Net interest income	**$574,475**	$520,002	$525,033	$523,841	$483,907
Provision for (reversal of) loan losses	**6,500**	7,500	3,500	(4,000)	7,400
Other expense (income), net	**31,910**	32,529	(48,115)	(35,745)	(37,700)
Net income	**$536,065**	$479,973	$569,648	$563,586	$514,207
Key Financial Ratios					
Return on average assets	**0.53%**	0.51%	0.64%	0.68%	0.68%
Return on average total shareholders' equity	**10.12%**	9.52%	11.74%	12.46%	12.80%
Net interest income as a percentage of average earning assets	**0.58%**	0.56%	0.60%	0.64%	0.64%
Total shareholders' equity as a percentage of total assets	**5.35%**	5.20%	5.21%	5.61%	5.17%
Net charge-offs (recoveries) as a percentage of average loans	**0.00%**	0.00%	0.00%	(0.00%)	0.01%
Allowance for loan losses as a percentage of loans	**0.02%**	0.02%	0.02%	0.01%	0.02%
Debt to shareholders' equity (:1)	**17.6**	18.1	18.1	16.8	18.3
Permanent capital ratio	**20.6%**	20.8%	20.8%	22.1%	21.1%
Total surplus ratio	**17.2%**	17.9%	18.1%	18.5%	17.4%
Core surplus ratio	**12.6%**	12.1%	11.8%	11.4%	10.4%
Net collateral ratio	**105.5%**	105.8%	105.9%	106.4%	106.0%
Net Income Distributed					
Patronage distributions:					
Cash	**$332,083**	$283,965	$337,599	$227,661	$222,599
Capital stock	**--**	--	--	107,451	90,583
Total patronage distributions	**$332,083**	$283,965	$337,599	$335,112	$313,182
Preferred stock dividends	**$17,188**	$17,188	$17,188	$2,675	$ --
Patronage distributions as a percentage of average capital stock	**15.8%**	14.5%	17.5%	16.6%	16.7%

Management's Discussion and Analysis

AgriBank, FCB

The following commentary reviews the financial condition and results of operations of AgriBank, FCB (AgriBank or the Bank) and provides additional specific information. The accompanying Financial Statements and Notes to the Financial Statements also contain important information about our financial condition and results of operations.

The Farm Credit System

The Farm Credit System (the System) supports rural communities and agriculture with reliable and consistent credit, today and tomorrow.

The System provides loans, leases and financial services to farmers, ranchers and rural businesses across the United States and Puerto Rico. This focus on rural communities and agriculture is the reason Farm Credit was established over 100 years ago, and the System has been delivering on that mission ever since – helping fund America's food, fuel and fiber and supporting the thriving rural communities America's farmers and ranchers call home.

While the System has a national footprint, lenders are local – as of January 1, 2017, 73 independently owned and operated Farm Credit Associations provide services in the communities where they live and work. Each local Farm Credit Association is a cooperative that is owned by its local members and has employees and a Board of Directors that have a deep understanding of agriculture in its area. This expertise enables them to understand the industry sectors they finance and provide an unparalleled level of knowledge and service to its member-owners.

Combined, Farm Credit organizations provide $249 billion in loans, leases and related services, which is more than a third of the credit needed by U.S. agriculture. This capital helps over 550,000 borrower-owners plant and nurture seeds; purchase and care for livestock; buy land and equipment such as harvesters and combines; build barns and milking parlors; and expand storage, packing and processing facilities. Farm Credit also finances agricultural cooperatives and communications, electric, power and water providers, which deliver essential infrastructure services to maintain vibrant rural communities.

Farm Credit Associations receive funding through one of four regional Banks, including AgriBank. System entities have specific lending authorities within their chartered territories. Farm Credit's funds are raised by the Federal Farm Credit Banks Funding Corporation (the Funding Corporation) and insured by the Farm Credit System Insurance Corporation (the Insurance Corporation). The Funding Corporation issues a variety of Federal Farm Credit Banks Combined Systemwide Debt Securities with broad ranges of maturities and structures on behalf of the System Banks. The Insurance Corporation insures the timely payment of principal and interest on insured notes, bonds, and other obligations issued on behalf of System Banks. System Banks and Associations are subject to examination and regulation by an independent federal agency, the Farm Credit Administration (FCA).

The Farm Credit System 2016 Annual Information Statement, issued by the Funding Corporation, includes additional information about the System, its funding activities and its combined financial results.

You can obtain a copy of that report by contacting the Funding Corporation or visiting www.farmcreditfunding.com.

AgriBank

AgriBank is a funding Bank that supports and is primarily owned by 17 Farm Credit Associations. AgriBank and the 17 Associations are collectively referred to as the District.

AgriBank has over $100 billion in assets. The District covers America's Midwest, a 15-state area stretching from Wyoming to Ohio and Minnesota to Arkansas. With about half of the nation's cropland located in the AgriBank District and over 100 years of experience, the Bank and its Association owners have significant expertise in providing financial products and services for rural communities and agriculture.

Our primary objective is to effectively meet the needs of District Associations. Prudent lending standards and unwavering attention to risk management have resulted in a high-quality balance sheet. This strong balance sheet facilitates ongoing access to the financial markets, offering funding in the form of loan products with a wide variety of maturities, repricing and repayment options to District Associations. District Associations share in the positive benefits of a strong funding Bank through consistent access to capital, a broad array of financial products they use to serve their customers and an appropriate return on their investment through patronage distributions.

Effective August 1, 2016, William J. Thone was named interim chief executive officer (CEO) of AgriBank following the departure of L. William York, who left AgriBank as CEO on July 25, 2016. AgriBank's Board of Directors (the Board) named Mr. Thone as permanent CEO effective December 1, 2016. Mr. Thone began his Farm Credit career at the Farm Credit Bank of St. Louis in 1979. In 1999, Mr. Thone was named AgriBank's vice president and general counsel responsible for board secretary duties and governance oversight, as well as corporate legal counsel and management of the Bank's legal team. As vice president and general counsel, Mr. Thone was also a member of AgriBank's executive leadership team until his retirement in 2015.

During 2016, District Associations and AgriBank conducted research related to the creation of a separate service entity to provide many of the business services offered by us. A separate service entity may allow AgriBank and District Associations to develop and maintain long-term, cost-effective technology and business services. If pursued, the service entity formation would require approval by the FCA and would be owned by AgriBank and certain District Associations that purchase its services. We expect to have a decision on whether to submit an application to the FCA by the end of the first quarter of 2017.

In June 2016, the Boards of Directors of two District Associations, AgCountry Farm Credit Services, ACA and United FCS, ACA, made a strategic decision to pursue a merger of the organizations. A merger application was filed with the FCA in the fourth quarter of 2016. The merger is pending approval from the Associations' shareholders and the FCA.

In August 2016, the Boards of Directors of three District Associations, 1st Farm Credit Services, ACA, AgStar Financial Services, ACA and Badgerland Financial, ACA, made a strategic decision to pursue a

merger of the organizations. A merger application was filed with the FCA in the third quarter 2016. The merger has been approved by the FCA, subject to approval from the Associations' shareholders.

Risk Management

Risk is inherent in our business, necessitating that sound risk management practices be a fundamental component of our operations. Some of the major types of risk in our business are:

- Credit risk is the risk of loss arising from a borrower or counterparty failing to perform on an obligation
- Interest rate risk is the risk that changes in interest rates may adversely affect operating results and financial condition
- Liquidity risk is the risk of loss arising from the inability to timely meet operating and funding needs without incurring excessive costs
- Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, errors by employees or external events
- Reputation risk is the risk of loss resulting from events, real or perceived, that shape the image of the Farm Credit System or any of its entities

These risks, and the methods we use to manage them, are discussed throughout this Annual Report.

Our prudent and disciplined approach to risk management includes a formal enterprise risk management structure established to identify emerging risks and evaluate risk implications of the decisions and actions of AgriBank and others. The goals of our enterprise risk management practices are to:

- Effectively assess, prioritize, monitor and report key organizational risks, enhancing our ability to achieve our business objectives
- Embed a risk-aware culture throughout AgriBank
- Identify and implement strategies to mitigate risk where appropriate
- Ensure we are adequately compensated for the risks that we take

Our Board oversees risk management by adopting policies to guide the organization's risk governance framework and by monitoring performance against established risk limits. As the first line of defense, management establishes controls to guide the day-to-day risk management activities of the organization within the risk limits and framework approved by our Board. The various risk and compliance oversight functions established by management are the second line of defense and independent assurance that these functions are operating within the Board approved policies is the third line. Our Board, through various committees, monitors this risk framework. This structure and Board oversight, promotes effective risk management of all risks and fosters the establishment and maintenance of an effective risk culture throughout the Bank. Additionally, we maintain an independent internal audit function to monitor risk management and policy compliance. The director of Internal Audit reports to the Board through the Audit Committee.

Forward-Looking Information

This Annual Report includes, and our representations may from time to time make, projections regarding financial information and statements concerning future economic performance and events, plans and objectives relating to management, operations, products and services and assumptions underlying these projections and statements. These projections and statements represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These projections and statements may address, among other things, business strategy, competitive strengths, goals, market and industry developments and the growth of our businesses and operations. The words "anticipate," "believe," "estimate," "expect," "intend," "outlook" and similar expressions, as they relate to AgriBank or its management, are intended to identify forward-looking statements. Such statements reflect the current views of AgriBank with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or our outlook may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. The information contained in this Annual Report, including without limitation, the information under "Management's Discussion and Analysis" identifies important factors that could cause such differences, including but not limited to a change in the U.S. agricultural economy, overall economic conditions, changes in market rates of interest, and the effect of new legislation or government regulations or directives. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- Political (including trade policies), legal, regulatory, financial markets and economic conditions and developments in the United States and abroad
- Economic fluctuations in the agricultural, international and farm-related business sectors
- Weather-related, disease and other adverse climatic or biological conditions that periodically occur and can impact agricultural productivity and income
- Changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises and other financial institutions
- Actions taken by the Federal Reserve System in implementing monetary policy
- Credit, interest rate and liquidity risk inherent in our lending activities
- Changes in our assumptions for determining the allowance for loan losses, other than temporary impairment and fair value measurements
- Industry outlooks for agricultural conditions
- Outlook for the gas and oil industry

Refer to additional discussion in the Risk Factors section at the end of this report.

Financial Overview

AgriBank's financial strength is evidenced by our financial performance in 2016. This strength translates into lasting value for our borrower-owners and reflects our commitment to the Farm Credit mission to support rural communities and agriculture.

Net income increased 11.7 percent to $536.1 million for the year ended December 31, 2016.

Net interest income increased 10.5 percent to $574.5 million, primarily due to increased volume and interest rates on wholesale loans as well as increased net interest income earned on investments.

Non-interest income increased 5.3 percent to $96.8 million primarily attributable to increased fee and prepayment income resulting from loan conversion activity as District Association borrowers took advantage of the favorable interest rate environment, as well as non-recurring gains on sales of investment securities within our liquidity portfolio. These increases were partially offset by a decrease in mineral income.

Non-interest expense increased 3.4 percent to $128.7 million, primarily from increased Farm Credit System Insurance Corporation premiums paid.

Refer to the Results of Operations section for further discussion.

Total loans were $86.1 billion at December 31, 2016, a 3.9 percent increase from December 31, 2015, primarily attributable to an increase in wholesale loans. Throughout 2016, District Associations experienced loan growth in the real estate mortgage and agribusiness sectors. Additionally, seasonal operating line usage increased wholesale volume in December, driven by borrower tax planning strategies. However, such seasonal increases were less pronounced when compared to recent years, reflective of the lower producer net farm income levels. Growth in our wholesale loan portfolio was offset to some extent by a decline in our retail loan portfolio, primarily due to borrower repayments on real estate mortgage loans purchased through the Asset Pool program, significantly offset by increased loan participation interests in retail equipment financing originating from the AgDirect program.

Our loan portfolio credit quality remained strong at 99.6 percent acceptable under the FCA's Uniform Classification System at December 31, 2016, compared to 99.7 percent at December 31, 2015. This strong credit quality reflects the overall strength of District Associations and their underlying portfolios of retail loans, which they pledge as collateral on their wholesale lines of credit with us. While remaining strong, the credit quality of our retail loan portfolio decreased to 95.5 percent acceptable at December 31, 2016, compared to 97.3 percent acceptable as of December 31, 2015.

Refer to the Loan Portfolio section for further discussion.

Total capital was $5.5 billion as of December 31, 2016, an increase of $312.0 million compared to December 31, 2015. This increase was primarily from net income and net stock issued, partially offset by patronage distributions declared.

Refer to the Shareholders' Equity section for further discussion.

Economic Conditions

Interest Rate Environment
U.S. economic activity is expected to continue advancing at a steady pace as consumer spending remains resilient and investment spending rebounds from its negative growth rate in 2016. For 2017, the U.S. economy is forecasted to grow at 2.3 percent due to continued growth in consumer spending as a result of labor market improvements. However, a strong dollar is reducing demand for U.S. exports and could be a hindrance to economic growth if the dollar continues to strengthen.

In both December 2015 and December 2016, the Federal Open Market Committee (FOMC) of the Federal Reserve raised the target range for the federal funds rate by 25 basis points (bps), in an effort to kick-start the process toward normalization in the level of interest rates. The path for federal funds rates is expected to remain data-dependent and, according to Federal Reserve communications, anticipated economic conditions will warrant only gradual increases in policy rates. The consensus forecast of economists suggests that the FOMC will increase the federal funds rate by an additional 50 bps in 2017 to a target range of 1 to 1.25 percent. Accommodative monetary policies by central banks are constraining longer-term interest rates in developed markets. Therefore, the 10-year U.S. Treasury rate is expected to climb by a lesser amount of 30 bps and end 2017 at 2.75 percent.

We manage interest rate risk consistent with policies established by the Board of Directors and limits established by AgriBank's Asset/Liability Committee (ALCO) (refer to Interest Rate Risk Management section). While many factors can impact our net interest income, management expects that financial performance will remain relatively consistent under most interest rate environments over the next 12 months.

Agricultural Conditions
The U.S. Department of Agriculture's Economic Research Service (USDA) projects 2016 net farm income to be $68.3 billion, a decline of 15.6 percent from 2015 levels. A further downward adjustment in net farm income is expected for 2017, 8.7 percent from estimated 2016 levels, to $62.3 billion. This decrease is primarily attributable to downward adjustments in the market value of unsold crop inventories and held livestock.

Based on USDA information, the aggregate equity position of U.S. agriculture decreased 2.4 percent compared to 2015. Current forecasts indicate that U.S. farmers are likely to see further deterioration in equity positions in 2017, marking three consecutive years of small declines. Asset value deterioration due to lower valuations on farm machinery as producers hold on to older equipment as well as declines in stored crop inventories and declining real estate values are all contributing factors to the lower projected aggregate farm equity. Despite 2017 being the fifth straight year of expected overall U.S. farm debt-to-asset ratio increases and above the low of approximately 11 percent in 2012, the 2017 forecasted ratio of approximately 14 percent remains well below the all-time highs of over 20 percent in the 1980s.

An improving outlook for the U.S. economy is expected to support domestic demand for most agricultural commodities in 2017. However, the relative strength of the U.S. dollar has reduced competitiveness versus international competitors. In addition, uncertain trade policy future weighs negatively upon export demand for U.S. commodities. Of the major cash crops, wheat is likely in the

weakest position from a supply-demand perspective entering 2017. Of the sectors excluding major cash crops, pork, poultry and dairy are most heavily dependent upon exports and will be at the highest risk of volatility in 2017; however, historically low feed costs should continue to support livestock and dairy margins. A full year of much lower feeder cattle prices should support margins in the cattle feedlot sector.

Producers who are able to realize cost and marketing efficiencies are most likely to weather the current low price environment. Optimal input usage, adoption of cost-saving technologies and effective utilization of hedging and other price risk management strategies are all critical in yielding positive net income for producers.

Land Values

The AgriBank District continues to monitor agricultural land values. We conduct an annual Benchmark Survey, completed by licensed real estate appraisers, of a sample of benchmark farms selected to represent the lending footprint of District Associations throughout the District. The District's most recent real estate market value survey indicated that District real estate value changes ranged from negative 10.5 percent to positive 10.6 percent over the 12-month period ending June 30, 2016. Land value increases were generally concentrated in areas heavily influenced by livestock operations, off-farm income and areas with crop production other than the major crops of corn, soybeans and wheat. Conversely, softening of values were concentrated primarily in areas of corn and soybean production.

Qualitative surveys of lending officers compiled by the Federal Reserve Banks of Chicago, Kansas City, Minneapolis, and St. Louis as of the end of the fourth quarter 2016 indicated declining farmland values. The Federal Reserve Banks surveys cited a year-over-year change in the average value of non-irrigated farmland of a decrease of 8 percent to a decrease of 1 percent.

The USDA 2016 land value survey, based primarily on agricultural producer opinions, indicated a 0.3 percent decrease in farmland values and a 1.0 percent decrease in cropland values in the AgriBank District. States heavily concentrated in corn, soybeans and wheat production experienced declines in cropland values.

Declining agriculture land values are a potential lending risk, especially following periods of sustained, rapid land value increases. Agriculture land values have generally shown significant increases during the period of the mid-2000s through 2013. These increases were driven by a significant improvement in net farm income, especially within crop production and, to a lesser extent, livestock production operations. In addition, historically low interest rates were a driver in land value increases. Since the 2013 timeframe, agriculture land values have generally stabilized. Land values are expected to remain stable or soften over the next year, primarily due to anticipated continued lower levels of net farm income in 2017 and beyond and, to a lesser extent, expected interest rates increases.

Industry Conditions

We assess the outlook for commodities with the largest concentrations in our District-wide portfolio. These outlooks are for the industry in general, and individual producers may perform better or worse than the industry as a whole. The categories for the outlook are defined as follows:

- Positive – Industry participants are generally profitable with margins above historic norms. Credit quality for borrowers in this segment is expected to improve or remain very strong.

- Positive-to-Neutral – Industry participants are generally profitable with margins at or above historic norms. Credit quality for borrowers in this segment is expected to be maintained with moderate levels of improvement.
- Neutral – Industry participants are generally profitable, but participants may experience additional financial stress if they are highly leveraged, lack economies of scale or fail to manage risk or operate efficiently. Credit quality for borrowers in this segment is generally expected to be maintained.
- Neutral-to-Negative – Industry participants are profitable or operating at breakeven levels, but participants may experience additional financial stress if they are highly leveraged, lack economies of scale or fail to manage risk or operate efficiently. Credit quality for most borrowers in this segment is expected to be maintained; however, a portion will be subject to downgrades.
- Negative – Industry participants are operating at breakeven or loss levels, with participants experiencing financial stress if they are highly leveraged, lack economies of scale or fail to manage risk or operate efficiently. Credit quality for many borrowers is expected to be downgraded if negative market conditions persist.

AgriBank Outlook for Commodities in the Next 12 Months

As of December 31,	2016	2015
Corn	Negative	Negative
Soybeans	Neutral	Negative
Wheat	Negative	Negative
Cow-Calf	Neutral	Positive
Cattle Feedlots	Neutral	Negative
Dairy	Neutral	Neutral-to-Negative
Pork	Neutral	Neutral
Timber	Positive-to-Neutral	Neutral
Poultry	Neutral	Neutral

Corn

The February 2017 USDA World Agricultural Supply and Demand Estimates (WASDE) report projected continued lower prices and a decline of 5.8 percent to $3.40 per bushel for the average corn price for the 2016-2017 marketing year. U.S. corn production for 2016 is estimated to surpass the all-time record resulting in the highest stocks-to-use ratio since the 2005 crop year and is the primary driver of the lower price projection. While feed and ethanol are expected to continue to be heavy users of corn in the coming year, the record 2016 crop, large domestic and global inventories and the relative strength of the U.S. dollar are expected to result in continued low prices. Many producers of major annual field crops continue to make reductions in their cost per bushel of production based on the expectation of continued lower commodity prices over the next multiple years.

Soybeans

The February 2017 WASDE projected an increase in prices of 6.1 percent to $9.50 per bushel for the average soybean price for the 2016-2017 marketing year. Despite record yields in 2016 and increases in ending inventories resulting in more than double the domestic stocks-to-use ratio compared to 2015, prices are expected to increase slightly due to a minimal decline in the world's stocks-to-use ratio and increased U.S. competitiveness due to production issues with the 2016 South American crop. The increase in prices will have a direct impact on margins and, therefore, the outlook for this commodity has improved compared to the prior year.

Wheat
The February 2017 WASDE projected a decrease in prices of 21.3 percent, down to $3.85 per bushel for the average wheat price for the 2016-2017 marketing year. Despite the smallest U.S. planted acreage to wheat since the 1940s, estimated 2016 production increased 12.0 percent resulting in higher ending 2016 inventory levels compared to the prior year. The increased inventory coupled with the continued strength of the U.S. dollar dampening export demand are the primary drivers of the price decline year over year.

Cow-Calf
The February 2017 WASDE estimates the U.S. beef cow herd has increased 3.0 percent compared to the prior year as a result of capacity added by cow-calf operations in recent years to meet feedlot demand. We expect the credit quality of the District's cow-calf portfolio will remain strong due to slight improvement in the outlook for margins as a result of modest increases in feeder cattle prices, reasonable feed cost and generally good pasture conditions, slightly offset by recent price declines.

Cattle Feedlots
The February 2017 WASDE report projected continued declines in the average steer price, down 18.4 percent in 2016 and a further decline of 6.9 percent in 2017 to $112.50/cwt. This reduction in price has been driven by continued beef production increases outpacing beef consumption increases as well as an abundance of cheaper protein options. Despite the price declines, the combination of lower projected feed costs in 2017 as well as lower feeder calf prices should generally result in positive margins for cattle feedlots. While the credit quality in the AgriBank District's cattle feedlot portfolio experienced some deterioration in 2016, the longer-term outlook for 2017 has improved due to anticipated profits in 2017.

Dairy
After a significant decline in average milk price in 2015 and continued price deterioration in 2016, the February 2016 WASDE report projected average milk price increases of 13.0 percent to $16.80/cwt in 2017. While production increases continue to place pressure on milk and milk-product prices, margins recovered in the last half of 2016 as a result of lower feed costs and increasing domestic demand. Margins are expected to stabilize during 2017 providing limited net income for many dairy producers, resulting in an improved outlook over the prior year.

Pork
The February 2017 WASDE report projected continued declines in the average hog price, down 8.1 percent in 2016 and a further decline of 5.8 percent in 2017 to $43.50/cwt. The reduction in price has been driven by increasing supply of market hogs due to ongoing improvement in production practices, genetics and less impact from disease. This decline in pork prices has been partially offset by the lower feed costs. Operating margins declined in 2016, but are expected to be near or above break-even levels for 2017. Risk management strategies are common across the industry and may help mitigate the negative impact of declining pork prices on operating margins. Many pork producers maintain a strong financial profile, with strong working capital going into 2017.

Timber

Housing starts have improved significantly since the low in 2009 with seasonally adjusted housing starts up 10.3 percent from December 2015. Housing affordability has decreased slightly, but remains at a favorable level. Interest rates on conventional mortgages remain near historic lows, consumer confidence remains cautiously optimistic and the U.S. labor market has continued to improve, all of which have contributed to timber customers, especially mills, showing strong profits. While the improved U.S. labor market has led to increased timber demand, the strength of the U.S. dollar has resulted in decreased timber exports and increased timber imports. Timberland owners will continue to see soft prices while processors should see improvement in margins.

Poultry

The February 2017 WASDE estimated overall prices for turkeys were stable and broilers declined in 2016 by 6.9 percent. A decline of 8.6 percent is expected for turkeys in 2017, while prices are expected to stabilize for broilers. The reduction in average prices in 2016 and 2017 is attributed to increased production and a slow recovery in export levels following the outbreak of Highly Pathogenic Avian Influenza (HPAI) in the U.S. in 2015. No additional cases of HPAI have been reported in the U.S. since January 2016. Overall demand for broilers and turkeys remains high due to higher competing meat prices as well as released restrictions on exports. The improved demand as well as favorable feed costs are expected to more than offset the impact of price declines.

With domestic supply and demand in balance for many egg producers, prices are expected to improve 11.4 percent to 95.5 cents per dozen in 2017; however, prices remain well below the most recent 10-year average. Feed costs are expected to remain favorable over the next year. A small portion of the portfolio with significant production levels subject to open market prices may experience some credit quality deterioration over the next year. However, for egg layer producers in the AgriBank District that utilize cost-plus or grain-based contracts for a majority of their production, credit quality is expected to remain stable in 2017.

Loan Portfolio

Components of Loans

(in thousands)

As of December 31,	**2016**	2015	2014	2013	2012
Accrual loans:					
Wholesale loans	**$78,300,557**	$74,697,131	$69,523,490	$65,594,413	$61,649,336
Retail loans:					
Real estate mortgage	**3,436,953**	3,832,879	3,955,879	4,476,032	4,793,979
Production and intermediate-term	**3,600,231**	3,425,439	3,186,391	2,816,600	2,456,850
Agribusiness	**65,228**	96,709	126,612	119,453	174,522
Loans to other financing institutions (OFIs)	**577,505**	685,083	665,574	577,886	515,844
Other	**44,077**	39,017	50,411	53,185	56,734
Total retail loans	**7,723,994**	8,079,127	7,984,867	8,043,156	7,997,929
Nonaccrual retail loans	**53,851**	43,394	37,798	39,653	51,366
Total loans	**$86,078,402**	$82,819,652	$77,546,155	$73,677,222	$69,698,631

The Other category is primarily comprised of energy-related, communication and rural residential real estate loans.

Our lending to District Associations accounts for 91.0 percent of our loan portfolio at December 31, 2016. Wholesale loans directly reflect the retail marketplace activities at District Associations, which are funded through their wholesale lines of credit with AgriBank. Loan growth at District Associations was primarily in the real estate mortgage and agribusiness sectors. In addition, wholesale loans increased temporarily in December, followed by corresponding repayments in January, as District Associations' borrowers increased their operating lines to purchase 2017 production inputs, primarily for tax-planning strategies; however, this growth was noticeably lower than the same period of the prior year primarily due to lower taxable income of many producers.

Wholesale loans also exhibit some seasonality, reflecting the patterns of operating needs of crop producers on operating loans made by District Associations. Operating loans are normally at their lowest levels following harvesting and selling of crops and increase in the spring and throughout the growing season as producers fund operating needs. The degree of seasonality exhibited by the wholesale loan portfolio is diminished as District Associations' retail portfolios experience growth in real estate mortgage, agribusiness and part-time farmer loans.

Overall, our retail portfolio volume as of December 31, 2016 decreased compared to 2015, largely due to continued pay downs on real estate mortgage participation balances, partially offset by loan growth in the production and intermediate-term sector. We had $7.8 billion, $8.2 billion and $8.1 billion of these participation interests outstanding at December 31, 2016, 2015 and 2014, respectively.

We participate with certain District Associations in an Asset Pool program, which was designed to effectively leverage existing District capital. We purchase 90 percent participation interests in certain high-quality, long-term real estate mortgage loans from participating District Associations under the program. During 2016, we purchased $83.2 million in Asset Pool loans from District Associations, compared to $350.9 million and $61.2 million for 2015 and 2014, respectively. These Asset Pool purchases were more than offset by borrower loan repayments. We had $2.8 billion, $3.3 billion and $3.5 billion of these participation interests outstanding at December 31, 2016, 2015 and 2014, respectively.

We also participate in the AgDirect program. Under this program, we purchase 100 percent loan participation interests in retail equipment financing loans from AgDirect LLP (LLP), a limited liability partnership. At December 31, 2016, the LLP was owned by nine Associations from our District and eight Associations from outside our District. Under the AgDirect program, the facilitating Association purchases a participation interest in a retail installment sales contract originated by an equipment dealer at the point of sale. This Association sells a 100 percent participation interest to the LLP, which immediately sells a 100 percent participation interest to us. We had $3.4 billion, $3.2 billion and $3.0 billion of these participation interests outstanding at December 31, 2016, 2015 and 2014, respectively.

Our retail portfolio also includes loan participations primarily purchased from District Associations in support of their portfolio management, generally related to District Associations' borrower concentration limits.

Refer to the Shareholders' Equity – AgriBank Patronage Programs and Dividend Distributions section for discussion related to stock investment requirements and patronage for the Asset Pool and AgDirect programs.

Portfolio Diversification

The wholesale loans are used by District Associations to fund their retail loan portfolios. Each association has unique commodity and geographic credit portfolio concentrations. The table below illustrates commodity and geographic distribution of the District's $99.1 billion loan portfolio as of December 31, 2016:

District Portfolio			
Commodity Distribution		**Geographic Distribution**	
Crops	**46%**	Iowa	**11%**
Cattle	**9%**	Illinois	**10%**
Dairy	**7%**	Minnesota	**9%**
Investor real estate	**7%**	Nebraska	**8%**
Food Products	**5%**	Indiana	**6%**
Other	**26%**	Michigan	**6%**
Total	**100%**	Ohio	**6%**
		Wisconsin	**6%**
		South Dakota	**5%**
		Other	**33%**
		Total	**100%**

Other commodities consist primarily of loans in the pork, timber, poultry and rural residential real estate sectors, none of which represented more than 5 percent of the District loan portfolio. Other states consist primarily of loans in Missouri, Tennessee, North Dakota, Arkansas and Kentucky, none of which represented more than 5 percent of the District loan portfolio. The commodity and geographic concentrations have not changed materially from prior years.

While the District has concentrations in crops, these crops represent staple commodities of agriculture – corn, soybeans and wheat. To some extent, there is further concentration in crops related to the investor real estate sector, as these loans are typically made for the purchase of land that is rented for crop production. However, the concentration in crops is geographically diverse, with multiple states being significant producers of these important commodities. While the commodity distribution represents the primary commodity of the borrower, many of the crop producers may also have livestock operations or other forms of diversification.

While these concentrations represent a proportionate maximum potential credit risk, as it relates to the wholesale loans, a substantial portion of the underlying District Associations' lending activities are collateralized. Generally collateral levels are levels significantly higher than the book value of the loan, and many District Associations' direct exposure (and, therefore, AgriBank's indirect exposure) to credit loss associated with lending is reduced accordingly. Refer to the Credit Risk Management section for additional information.

Certain District Associations have diversified the concentration in agricultural production loans through rural residential real estate and part-time farmer loans, as well as agribusiness loans. Rural residential real estate, investor real estate and part-time farmer borrowers generally have significant off-farm sources of income, and, therefore, are less subject to cycles in agriculture. These borrowers are typically more susceptible to changes in the general economy, and the condition of the general economy will influence the credit quality of these segments of the portfolio. Credit quality in these sectors has remained strong as of December 31, 2016, 2015 and 2014.

Grain and livestock producers are somewhat subject to a counter-cyclical diversification effect. High grain prices are generally favorable to crop producers; however, livestock producers are adversely affected through higher feed costs. Conversely, low grain prices are generally negative to crop producers, but tend to improve the profitability for those livestock producers who purchase most or all of their feed. Extreme fluctuations in commodity prices can negatively impact all District producers. During 2016, certain grain and livestock producers across the District experienced additional financial stress as a result of declines in net farm income.

The table below illustrates commodity and geographic diversification of our $7.7 billion retail portfolio as of December 31, 2016:

AgriBank Retail Portfolio

Commodity Distribution		Geographic Distribution	
Crops	**52%**	Minnesota	**15%**
Cattle	**11%**	Illinois	**10%**
Dairy	**9%**	Wisconsin	**10%**
OFIs	**7%**	Iowa	**9%**
Investor real estate	**5%**	Nebraska	**8%**
Other	**16%**	Michigan	**6%**
Total	**100%**	Indiana	**5%**
		Other	**37%**
		Total	**100%**

Other financing institutions (OFIs) make production and intermediate-term loans, and, therefore, may have similar commodity exposure as seen in our retail portfolio. Other commodities consist primarily of loans in the pork, timber, food products and poultry sectors, none of which represented more than 5 percent of AgriBank's retail loan portfolio. Other states consist primarily of loans in South Dakota, North Dakota, Ohio, Missouri and Arkansas, none of which represented more than 5 percent of AgriBank's retail loan portfolio. The commodity and geographic concentrations have not changed materially from prior years.

Portfolio Maturities

For the year ended December 31, 2016, all wholesale loan agreements matured in 14 months or less and are renewed annually. Effective January 1, 2017, renewing wholesale loan agreement maturities may be extended up to 36 months with renewals set for at least every 24 months. Wholesale loan pricing is match funded to District Associations' retail portfolios, a significant portion of which have both maturities and repricing terms of longer than a year.

Contractual Maturities of Loans

(in thousands) As of December 31, 2016	One Year or Less	Over One Through Five Years	Over Five Years	Total
Wholesale loans*	$78,300,557	$ --	$ --	$78,300,557
Retail loans:				
Real estate mortgage	728,884	1,389,210	1,343,496	3,461,590
Production and intermediate-term	1,040,291	2,364,704	224,126	3,629,121
Agribusiness	34,654	25,038	5,536	65,228
Loans to OFIs	197,951	343,340	36,214	577,505
Other	34,368	3,013	7,020	44,401
Total retail loans	2,036,148	4,125,305	1,616,392	7,777,845
Total loans	$80,336,705	$4,125,305	$1,616,392	$86,078,402
Total of loans due after one year with:				
Fixed interest rates				$2,541,200
Variable and adjustable interest rates				$3,200,497

*Wholesale notes maturing in one year or less includes $10.4 billion related to two notes approved for renewal in January 2017 with maturities in 2019.

Credit Risk Management

We are authorized to make loans to District Associations and OFIs, and to buy participation interests in eligible loans as specified under the Farm Credit Act. As a result, our loan portfolio is concentrated in rural communities and the agricultural industry. Earnings, loan growth and credit quality of our loan portfolio can be affected significantly by the general state of the economy, primarily as it affects agriculture and users of agricultural products.

We actively manage our credit risk through various policies and standards, including our Loan Committee reviewing significant loan transactions. Our underwriting standards include analysis of five credit factors: repayment capacity, capital position, collateral, management ability and loan terms. These standards vary by agricultural industry and are updated to reflect current market conditions.

The credit quality of our loan portfolio has been consistently strong over the past three-year period, with 99.6 percent of our portfolio in the acceptable category at December 31, 2016, compared to 99.7 percent at December 31, 2015 and 2014. Acceptable loans represent the highest quality and are expected to be fully collectible. As most of our loans are wholesale loans, we expect our credit quality will remain very strong, even when District Associations experience declines in their retail credit quality. While these are individually large credits, numerous individual credits comprise District Associations' underlying portfolios. District Associations each have allowances for loan losses, earnings and capital that absorb their credit losses before they would impact our wholesale loans.

While the acceptable percentage of our portfolio remains strong, special mention and adverse loan volume has continued to increase primarily due to lower net farm income that has created additional stress in certain agricultural production sectors. Substandard and doubtful loans, collectively called adverse loans, are loans we have identified as showing some credit weakness outside our credit standards. Refer to the Wholesale Credit Risk Management section for further discussion.

Percentage of Adverse Loans by Commodity

As of December 31,	2016	2015	2014
District retail portfolio:			
Crops	**4.7%**	2.8%	1.4%
Cattle	**4.8%**	2.1%	1.7%
Dairy	**3.2%**	1.5%	2.1%
Other	**1.9%**	1.4%	2.0%
Total	**3.5%**	2.1%	1.7%
AgriBank retail portfolio:			
Crops	**2.7%**	1.8%	1.0%
Cattle	**2.7%**	1.8%	1.9%
Dairy	**2.1%**	1.7%	1.8%
Other	**2.0%**	1.5%	2.1%
Total	**2.4%**	1.7%	1.5%

Overall, we expect District credit quality to remain at acceptable levels in 2017, despite increases in adverse credit quality in 2016. Agriculture has experienced mostly positive economic conditions over the past decade. However, agriculture is a cyclical industry, and due to continued low net farm income levels throughout 2015 and 2016, we continued to experience some downturn in credit quality within many sectors of our portfolio. Given continued projected low net farm income and the product mix within our portfolio, adverse credit quality and related allowance for loan losses and provision for loan losses are expected to continue to increase.

A substantial portion of the loan portfolio is collateralized, which reduces our exposure to credit losses. Collateral held varies, but may include real estate, equipment, inventory, livestock and income-producing properties and, in the case of wholesale loans, substantially all assets of District Associations. An estimate of our credit risk exposure is considered in our allowance for loan losses. Additionally, credit policies reduce credit risk, with emphasis placed on repayment capacity rather than exclusively on the underlying collateral. The District has an internally maintained database that uses market data to estimate market values of collateral for a significant portion of our real estate mortgage portfolio. Although FCA regulations allow real estate mortgage loans of up to 85 percent of appraised value, our underwriting standards generally limit lending to no more than 65 to 75 percent at origination. Some District Associations have also implemented risk management practices that incorporate loan-to-appraised value limits below these thresholds. In addition, most District lenders impose lending caps per acre based on the land's sustainable income-producing capacity. While underwriting exceptions on loan-to-appraised-value are sometimes granted, in such cases loans are typically structured with shorter amortization schedules and/or additional principal payments in the early years to reduce risk. In addition to sound underwriting standards, the District also has hold restrictions to limit the District's credit exposure of any one borrower.

Wholesale Credit Risk Management

Wholesale loans to District Associations represent the majority of our loan portfolio. The financial strength of District Associations directly impacts the credit quality of our portfolio.

Select Information on AgriBank District Affiliated Associations

(in thousands) **As of December 31, 2016** **Association**	**Wholesale Loan Amount**	**Total Assets**	**Total Allowance and Capital**	**Permanent Capital Ratio**	**Core Surplus Ratio**	**Risk Loans* as a % of Total Loans**	**Pretax ROA**
Farm Credit Services of America	$21,296,054	$26,375,330	$4,783,874	15.6%	15.4%	0.7%	2.0%
Farm Credit Mid-America	18,148,415	22,611,952	4,267,348	17.6%	17.2%	1.3%	1.3%
AgStar Financial Services[1]	7,590,254	8,980,667	1,351,486	14.1%	12.1%	1.0%	1.6%
GreenStone Farm Credit Services	6,506,325	8,079,229	1,514,715	16.1%	15.8%	0.6%	1.7%
1st Farm Credit Services[1]	4,826,565	5,957,706	1,083,093	16.7%	16.5%	0.6%	1.7%
AgCountry Farm Credit Services[2]	4,201,744	5,462,470	1,183,000	17.2%	17.1%	0.3%	2.0%
Badgerland Financial[1]	3,247,585	4,166,462	878,601	17.0%	16.8%	0.5%	1.9%
FC Illinois	3,240,487	4,114,027	853,385	17.2%	17.0%	0.2%	1.8%
FCS Financial	3,017,069	3,815,067	770,168	17.5%	17.2%	0.2%	1.7%
United FCS[2]	1,399,907	1,727,586	311,222	15.5%	15.3%	1.5%	1.5%
Farm Credit Services of North Dakota	946,611	1,200,763	248,706	16.9%	16.7%	0.6%	1.9%
Farm Credit Services of Western Arkansas	937,260	1,211,559	257,717	18.7%	18.3%	0.8%	1.7%
Farm Credit Services of Mandan	867,311	1,090,940	214,775	15.7%	15.5%	0.2%	1.8%
AgHeritage Farm Credit Services	855,257	1,122,628	261,208	20.0%	19.8%	1.0%	2.0%
Farm Credit Midsouth	680,502	891,415	199,571	18.7%	18.5%	0.9%	1.7%
Progressive Farm Credit Services	496,650	642,693	136,062	19.6%	19.4%	0.5%	2.1%
Delta Agricultural Credit Association	42,561	53,099	10,060	22.5%	17.7%	0.0%	1.7%
Grand Total	$78,300,557	$97,503,593	$18,324,991				
District Association weighted average ratios				16.5%	16.1%	0.8%	1.7%

* Risk loans are comprised of nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due.

(1) Merger has been approved by FCA, subject to customer-owner approval. Refer to the AgriBank section of Management's Discussion and Analysis for more information.

(2) Merger is pending FCA and customer-owner approval. Refer to the AgriBank section of Management's Discussion and Analysis for more information.

The previous chart illustrates that wholesale credit risk is concentrated in a number of individually large loans to District Associations. Deterioration in a single wholesale loan could have a material adverse effect on our financial condition. This concentrated credit risk is substantially offset by the composition of the underlying collateral, which is made up of many diversified retail loans and other assets. Credit risk on wholesale loans is also reduced by the strong financial condition of District Associations. Our risk of loss on wholesale loans is significantly mitigated, because the earnings, capital and allowance for loan losses of District Associations would first absorb losses on their retail assets.

Our pricing of wholesale loans is governed by a General Financing Agreement (GFA) with each District Association. The components of the wholesale rate include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity and Bank profit
- A risk premium component, if applicable

Certain factors may impact wholesale rates, which primarily include market interest rate changes impacting marginal cost of debt as well as changes to pricing methodologies impacting the spread components described above.

Disciplined credit administration and servicing reduce credit risk on the wholesale portfolio. The GFA underlying each wholesale lending relationship contains typical commercial lending provisions, including advance rates based on the quality of pledged assets and financial performance covenants. Additional provisions include:

- A pledge of substantially all an Association's assets as collateral for the loan.
- A risk score calculated based on a District Association's profitability, credit quality, risk coverage, capital adequacy and quality of credit administration. A risk premium of up to 35 basis points is added to base pricing if a District Association's risk score falls below established levels. Additionally, there are default interest rate provisions should the loan go into default.
- A requirement that retail loans originated by a District Association over an established dollar amount, as well as all loans to a District Association's Board members and employees and AgriBank Board members, are approved by AgriBank's Credit Department in order to be eligible for inclusion in a District Association's borrowing base.
- A requirement that the District Association adopt and operate in accordance with policies, procedures and underwriting standards reasonably deemed necessary for satisfactory credit and credit administration. The criteria to be considered in determining whether credit and credit administration are satisfactory are set out in AgriBank's Underwriting Guide.

As of December 31, 2016, no District Association was declared in default of any GFA covenants. No District Association paid a risk premium in 2016, 2015 or 2014. Beginning in 2017, one District Association will begin paying a risk premium. This risk premium will not have a material impact on our financial statements.

Retail Credit Risk Management

Our retail portfolio management policies include maximum exposure limits by individual borrowers based on probabilities of default, commodity and lead lender. The Asset Pool program portfolio is comprised of numerous participation interests in real estate mortgage loans that have individual loan balances of less than $10 million, most of which are less than $5 million. The AgDirect program portfolio is comprised of numerous participation interests in retail equipment financing contracts that have individual loan balances of generally less than $500 thousand. Loan participations purchased under the AgDirect program are primarily underwritten based on standardized credit scoring. As the remainder of the credits in our portfolio tend to be large and complex, we do not use standardized credit scoring on those participations. Our remaining retail portfolio is primarily comprised of participations purchased from Associations, the majority of which are greater than $5 million. We routinely monitor exceptions to underwriting standards and compliance with all portfolio management policies and guidelines.

Our concentrations in the 10 largest retail customers at December 31, 2016 (excluding OFIs) totaled $237.3 million, or 3.1 percent of our retail portfolio and 0.3 percent of our total portfolio. All of these 10 largest customers' loans were in accrual status and all were classified as acceptable. Within these 10 largest customers, there are significant concentrations in four industries:

- Dairy at 34.7 percent
- Pork at 26.5 percent
- Poultry at 21.8 percent
- Timber at 12.0 percent

Risk Assets

Risk assets are comprised of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due (risk loans) and other property owned.

Components of Risk Assets

(in thousands)

As of December 31,	2016	2015	2014	2013	2012
Nonaccrual loans	**$53,851**	$43,394	$37,798	$39,653	$51,366
Accruing restructured loans	**3,800**	4,429	17,210	18,445	16,177
Accruing loans 90 days or more past due	**378**	1,240	277	--	293
Total risk loans	**$58,029**	49,063	55,285	58,098	67,836
Other property owned	**349**	565	1,822	1,613	1,972
Total risk assets	**$58,378**	$49,628	$57,107	$59,711	$69,808
Risk loans as a % of total loans	**0.07%**	0.06%	0.07%	0.08%	0.10%
Nonaccrual loans as a % of total loans	**0.06%**	0.05%	0.05%	0.05%	0.07%
Delinquencies as a % of total loans	**0.06%**	0.08%	0.03%	0.06%	0.10%

Note: Accruing loans include accrued interest receivable.

Due to the low level of risk assets, movement of a single loan or borrower impacts the volatility of risk assets year-over-year. Risk assets over the past five years have primarily been concentrated in the real estate mortgage and production and intermediate-term sectors.

Total risk loans as a percentage of total loans remains well within our established risk management guidelines. At December 31, 2016, 60.6 percent of nonaccrual loans were current as to principal and interest.

Our accounting policy requires loans past due 90 days to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, all accruing loans 90 days or more past due were eligible to remain in accruing status.

The following table sets forth interest income that would have been recognized if nonaccrual and restructured loans had been fully performing:

(in thousands)

For the year ended December 31,	2016
Interest income that would have been recognized under original contract terms	**$2,938**
Less: interest income recognized	**4,316**
Additional interest income recognized	**$(1,378)**

Cash received on nonaccrual loans is applied to reduce the recorded investment in the loan asset, except in those cases where the collection of the recorded investment is fully expected, and the loan has no unrecovered prior charge-offs. During 2016, additional income was recognized from cash payments received on nonaccrual loans above the amount that would have been recognized under contractual terms, as previous cash payments received on certain loans had been applied to directly reduce the recorded investment in the loan.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on the periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality and current economic and environmental conditions. We believe the allowance for loan losses is reasonable in relation to the risk in the portfolio at December 31, 2016.

Allowance for Loan Losses by Loan Category

(in thousands)	2016		2015		2014		2013		2012	
As of December 31,	**Amount**	**%**	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$1,874**	**8.8%**	$1,928	10.7%	$2,003	16.0%	$2,041	20.2%	$4,427	33.3%
Production and intermediate-term	**18,930**	**89.0%**	15,381	85.0%	9,710	77.5%	7,181	71.1%	5,940	44.8%
Agribusiness	**147**	**0.7%**	269	1.5%	457	3.7%	590	5.8%	2,201	16.6%
Loans to OFIs	**220**	**1.0%**	278	1.5%	235	1.9%	220	2.2%	376	2.8%
Other	**111**	**0.5%**	220	1.3%	115	0.9%	68	0.7%	331	2.5%
Total allowance for loan losses	**$21,282**	**100.0%**	$18,076	100.0%	$12,520	100.0%	$10,100	100.0%	$13,275	100.0%

Allowance Coverage Ratios

As of December 31,	**2016**	2015	2014
Allowance as a percentage of:			
Loans	**0.02%**	0.02%	0.02%
Nonaccrual loans	**39.52%**	41.66%	33.12%
Total risk loans	**36.67%**	36.84%	22.65%
Adverse assets to risk funds*	**3.49%**	2.72%	2.45%

*Risk funds includes total capital and allowance for loan losses.

With most of our loan portfolio comprised of wholesale loans, the inherent risk in the portfolio is significantly reduced by adequate allowances, strong earnings and capital positions at District Associations. We have not recorded a provision for loan loss, charge-off or recovery on a wholesale loan for any periods presented.

We determine the amount of allowance that is required by analyzing risk loans and wholesale loans individually, and all other loans by grouping them into loan segments sharing similar risk characteristics. These segments include Asset Pool program loans, AgDirect program loans and all other retail loans. Each segment of loans that were not individually evaluated for impairment is collectively evaluated using the combination of estimated probability of default and estimated loss given default assumptions. These estimated losses may be adjusted for relevant current environmental factors. These factors may vary by the different segments, reflecting the risk characteristics of each segment. As these factors change, earnings are impacted. For all loans analyzed individually, we record a specific allowance, if appropriate, to reduce the carrying amount of the risk loan to the lower of book value or the net realizable value of collateral.

Allowance for Loan Losses Activity

(in thousands) **For the year ended December 31,**	**2016**	2015	2014	2013	2012
Balance at beginning of year	**$18,076**	$12,520	$10,100	$13,275	$9,208
Charge-offs:					
Real estate mortgage	**(881)**	(155)	(331)	(1,851)	(1,354)
Production and intermediate-term	**(3,430)**	(3,846)	(1,860)	(1,276)	(3,132)
Other	**(57)**	(1)	(9)	(65)	(125)
Total charge-offs	**(4,368)**	(4,002)	(2,200)	(3,192)	(4,611)
Recoveries:					
Real estate mortgage	**227**	131	510	459	846
Production and intermediate-term	**839**	1,919	596	3,531	430
Other	**8**	8	14	27	2
Total recoveries	**1,074**	2,058	1,120	4,017	1,278
Net (charge-offs) recoveries	**(3,294)**	(1,944)	(1,080)	825	(3,333)
Provision for (reversal of) loan losses	**6,500**	7,500	3,500	(4,000)	7,400
Balance at end of year	**$21,282**	$18,076	$12,520	$10,100	$13,275
Net charge-offs (recoveries) as a % of average loans	**0.00%**	0.00%	0.00%	(0.00%)	0.01%

AgriBank's retail loan portfolio is primarily made up of participated credits from District Associations and other Associations within the System. Generally, we review and follow the lead lender's credit analysis and recommendations regarding specific reserves and charge-offs on risk loans, unless our individual analysis and knowledge of the exposure supports an alternative conclusion. We continue to see charge-offs revert to more normal levels reflective of the changes in the credit quality of our loan portfolio. Refer to the Results of Operations – Provision for (Reversal of) Loan Losses section for further discussion of provision for (reversal of) loan loss changes.

Investment Portfolio and Liquidity

Liquidity Risk Management

We are responsible for meeting the District's funding, liquidity and asset/liability management needs. Access to the unsecured debt capital markets remains our primary source of liquidity. The System continues to have reliable access to the debt capital markets to support its mission of providing credit to farmers, ranchers and other eligible borrowers. During the year ended December 31, 2016, investor demand for Systemwide Debt Securities has remained favorable.

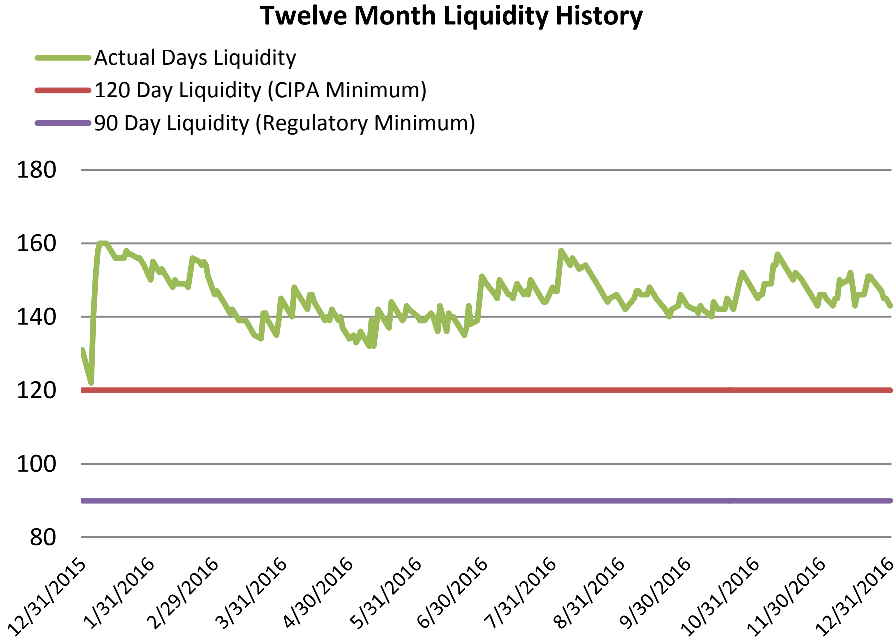
We also maintain a secondary source of liquidity through a high-quality investment portfolio and other short-term liquid assets. We manage liquidity for our operating and debt repayment needs by forecasting and anticipating seasonal demands, as well as through managing debt maturities. We manage short-term liquidity needs by maintaining maturing investments and Bank balances of at least $500 million on hand each day to meet cash management and loan disbursement needs in the normal course of business.

We manage intermediate and longer-term liquidity needs through the composition of the liquidity investment portfolio, which is structured to meet both regulatory requirements and our operational demands. Specifically, we provide at least 15 days of liquidity coverage from cash, overnight investments and U.S. Treasury securities less than three years in maturity. Other short-term money market

investments, as well as government and agency mortgage-backed securities (MBS), are positioned to cover regulatory requirements for 30- and 90-day intervals. Additionally, a supplemental liquidity buffer provides days coverage in excess of 90 days from money market instruments greater than 90 days in maturity and asset-backed securities (ABS). At December 31, 2016, we held qualifying assets in excess of each incremental level to meet the liquidity coverage intervals.

Our liquidity policy and FCA regulations also require maintaining a minimum of 90 days of liquidity on a continuous basis. In addition, our Contractual Interbank Performance Agreement (CIPA) agreement with other System Banks requires maintaining a minimum of 120 days of liquidity. The days of liquidity measurement refers to the number of days that maturing debt is covered by liquid investments. During 2016, we had a liquidity operating target between 135 and 185 days. As of December 31, 2016, we had sufficient liquidity to fund all debt maturing within 143 days, compared to 136 days as of December 31, 2015.

We maintain a contingency funding plan (CFP) that helps inform our operating and funding needs and addresses actions we would consider in the event that there is not ready access to traditional funding sources. These potential actions include borrowing overnight via federal funds, using investment securities as collateral to borrow, using the proceeds from maturing investments and selling our liquid investments. We size our investment portfolio using the CFP to cover all operating and funding needs for a minimum of 30 days with a targeted $500 million buffer.



Cumulative Debt Maturities

(in thousands) **As of December 31, 2016**	**Bonds and Notes Amount**
Cumulative debt maturing in:	
15 days	**$3,491,091**
45 days	**7,841,360**
90 days	**11,681,524**
120 days	**14,197,876**
One year	**34,291,292**
One to five years	**78,805,268**
Five to ten years	**90,091,659**
More than ten years	**96,633,431**

On July 15, 2016, we redeemed all $500 million of outstanding subordinated notes at par value as under the final capital regulations these instruments would no longer qualify as capital in certain of our capital ratios. Refer to the Shareholder's Equity section for additional discussion related to the redemption of our subordinated notes.

Investment Securities

All investment securities are classified as available-for-sale (AFS).

Composition of Investment Securities

(in thousands) **As of December 31,**	**2016**	2015	2014
Mortgage-backed securities:			
Government collateralized mortgage obligations	**$2,722,396**	$3,008,410	$2,902,030
Agency collateralized mortgage obligations	**2,707,901**	2,519,560	2,193,842
Agency pass through	**125,462**	158,603	193,775
Non-agency	**--**	70,438	124,890
Total mortgage-backed securities	**5,555,759**	5,757,011	5,414,537
Commercial paper and other	**4,786,782**	4,914,385	5,345,820
U.S. Treasury securities	**3,811,798**	2,815,257	2,564,877
Asset-backed securities:			
Automobile	**656,400**	724,680	739,075
Equipment	**86,513**	43,592	94,498
Home equity	**--**	7,958	33,716
Total asset-backed securities	**742,913**	776,230	867,289
U.S. Agencies	**--**	--	102,254
Total	**$14,897,252**	$14,262,883	$14,294,777

Our ALCO and Counterparty Risk Committee (CRC) oversee the credit risk in our investment portfolio. We manage investment portfolio credit risk by investing only in securities that are liquid, of high quality and whose risks are well understood. At purchase, all securities must meet eligibility requirements as permitted by FCA regulations and related to rating categories assigned by one or more Nationally Recognized Statistical Rating Organizations.

Fair Value of Eligible Investment Securities by Credit Rating

(in thousands)	Eligible			
As of December 31, 2016	**AAA/Aaa**	**A1/P1/F1**	**Split Rated [(1)]**	**Total**
Mortgage-backed securities	**$ --**	**$ --**	**$5,555,759**	**$5,555,759**
Commercial paper and other	**--**	**3,136,730**	**1,650,052**	**4,786,782**
U.S. Treasury securities	**--**	**--**	**3,811,798**	**3,811,798**
Asset-backed securities	**742,913**	**--**	**--**	**742,913**
Total	**$742,913**	**$3,136,730**	**$11,017,609**	**$14,897,252**

[(1)]Investments that received the highest credit rating from at least one rating organization.

Holdings of split-rated U.S. government securities are due to the 2011 downgrade of the U.S. government. We do not believe the downgrades of these securities reflect deterioration in credit quality. At December 31, 2016, we held no ineligible securities.

We evaluate all investment securities in an unrealized loss position for other-than-temporary impairment (OTTI) on a quarterly basis. We continually evaluate our assumptions used in estimating fair value and impairment and adjust those assumptions as appropriate. As a result of our evaluations, we did not record any impairment losses, and we sold all remaining securities on which we had previously recorded OTTI during 2016.

Refer to Note 4 of the accompanying Financial Statements for further discussion on impairment losses.

AFS Investment Securities Sold

(in thousands) **For the year ended December 31,**	**2016**	2015	2014
Non-OTTI AFS investment securities sold	**$207,502**	$30,502	$17,358
OTTI AFS investment securities sold	**27,771**	17,552	101,490
Total AFS investment securities sold	**$235,273**	$48,054	$118,848
Losses on sales of non-OTTI AFS investment securities, net	**$(393)**	$(2,258)	$(1,675)
Gains on sales of OTTI AFS investment securities, net	**10,559**	4,864	21,643
Gains on sales of AFS investment securities, net	**$10,166**	$2,606	$19,968
Impairment previously recognized on OTTI AFS investment securities sold	**$24,696**	$12,633	$84,431

Refer to the Results of Operations section for further discussion on sales of AFS investment securities.

Other Investments

AgriBank and certain District Associations are among the limited partners for a $154.5 million Rural Business Investment Company (RBIC) established on October 3, 2014. The RBIC facilitates equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. Our multi-year commitment is $20.0 million, and we have invested $7.5 million, $4.2 million and $757 thousand as of December 31, 2016, 2015 and 2014, respectively, which is included in “Other assets” on the Statements of Condition.

The RBIC was evaluated for impairment. No impairments were recognized on these investments during the years ended December 31, 2016, 2015 and 2014.

As of December 31, 2016, AgriBank and certain District Associations have committed to another RBIC limited partnership, which will have aggregate capital commitments of $31.3 million. Our share of this commitment is $5.0 million. The commitment to this RBIC has been approved by the governing bodies of the various partners and awaits USDA approval.

Shareholders' Equity

We believe a sound capital position is critical to long-term financial stability. We maintain adequate capital to protect against unanticipated losses as well as to meet our growth needs. Total shareholders' equity was $5.5 billion, $5.2 billion and $4.9 billion at December 31, 2016, 2015 and 2014, respectively. Total shareholders' equity increased $312.0 million in 2016, primarily attributable to net income and net stock issued, partially offset by patronage distributions declared.

Select Capital Ratios

As of December 31,	Regulatory minimums	**2016**	2015	2014
Shareholders' equity to assets		**5.35%**	5.20%	5.21%
Surplus and allowance to risk loans (:1)		**54.3**	60.4	50.3
Permanent capital ratio	7.0%	**20.6%**	20.8%	20.8%
Total surplus ratio	7.0%	**17.2%**	17.9%	18.1%
Core surplus ratio	3.5%	**12.6%**	12.1%	11.8%
Net collateral ratio*	103.0%	**105.5%**	105.8%	105.9%

* FCA requires us to maintain a higher minimum of 104.0% during any period in which we have subordinated notes outstanding. Concurrent with the redemption of our subordinated notes on July 15, 2016, FCA's regulatory minimum requirement reverted to 103.0%.

At December 31, 2016, we exceeded all required regulatory minimum capital ratios, which are further discussed in Note 7 to the accompanying Financial Statements. Strong earnings, the issuance of non-cumulative perpetual preferred stock in 2013, and stock investments under the Asset Pool and AgDirect programs have allowed us to maintain strong regulatory capital ratios while efficiently leveraging existing District capital. The Asset Pool and AgDirect programs leverage our strong risk-adjusted capital position while strengthening our non-risk-adjusted net collateral ratio.

Refer to Capital Plan and Regulatory Requirements section for discussion related to the new regulatory capital ratios effective January 1, 2017.

We have $250 million of Series A Non-cumulative Perpetual Preferred Stock (Series A Preferred Stock) outstanding. Dividends on the Series A Preferred Stock, if declared by our Board in its sole discretion, are non-cumulative and are payable quarterly in arrears. For regulatory capital purposes, our Series A Preferred Stock is included in permanent capital, total surplus and core surplus, subject to certain limitations as defined by the FCA as of December 31, 2016. Refer to Note 7 in the accompanying Financial Statements for further discussion.

On July 15, 2016, we redeemed all outstanding subordinated notes at par value, which were redeemable on any interest payment date at any time following FCA notification of certain changes to our regulatory capital requirements. Prior to redemption, we had $500 million of 9.125 percent

unsecured subordinated notes due in 2019 outstanding. Subject to certain limitations as defined by FCA, the subordinated notes were allowed to be counted as capital in certain risk-adjusted ratios and were excluded from liabilities in the net collateral ratio. The limitations on the treatment of subordinated notes in the regulatory capital ratios are discussed further in Note 7 to the accompanying Financial Statements.

Refer to Note 7 of the accompanying Financial Statements for further information regarding investment requirements of borrowers.

Capital Plan and Regulatory Requirements

Effective January 1, 2017, the regulatory capital requirements for System Banks and Associations were modified. The stated objectives of the revised requirements are to:

- Modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise
- Ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System
- Make System regulatory capital requirements more transparent
- Meet the requirements of section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act

The final rule replaced existing core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The final rule also replaced the existing net collateral ratio with the tier 1 leverage and unallocated retained earnings equivalents ratios (both non-risk-adjusted). The permanent capital ratio remains in effect with the final rule and continues to exclude allocated investments held by Associations in excess of the AgriBank capital requirement. The new capital requirements also include capital conservation buffers, effective January 1, 2017 for non-risk-adjusted ratios and effective over a three-year phase-in for risk-adjusted capital ratios. Based on preliminary analysis, we anticipate that we will exceed all regulatory capital requirements in 2017, including the capital conservation buffers. Refer to Note 7 for additional information regarding the revised capital ratios.

We maintain a formal capital plan that addresses our capital targets in relation to our risks and establishes the required investment levels. The plan assesses the capital level and composition necessary to support financial viability and growth. The plan considers factors such as credit risk and allowance levels, quality and quantity of earnings, sufficiency of liquid funds, operational risk, interest rate risk and growth in determining optimal capital levels. We periodically review and modify these targets to reflect current business and economic conditions. Our capital plan is updated at least annually and is subject to change at the discretion of our Board.

2017 Business Plan - Capital Ratio Targets

	Target	Regulatory Minimum	Regulatory Minimum plus buffer
Tier 1 leverage ratio	5.35% - 5.75%, with at least 1.75% in UREE*	4.0% with 1.5% UREE*	5.0% with 1.5% UREE*
Common equity tier 1 capital ratio	No lower than 7.5%	4.5%	7.0%**
Tier 1 capital ratio	No lower than 9.0%	6.0%	8.5%**
Total capital ratio	No lower than 11.0%	8.0%	10.5%**
Permanent capital ratio	No lower than 10.0%	7.0%	Not applicable

*Unallocated Retained Earnings Equivalents (UREE)

**A 2.5% capital conservation buffer over risk-adjusted ratio minimums will be phased in over 3 years under the FCA revised capital requirements.

As part of our business plan, we model economic capital requirements and perform stress testing for AgriBank. In addition, we model economic capital requirements for District Associations. Economic capital measures total enterprise risk looking at credit, interest rate and operational risk.

AgriBank Patronage Programs and Dividend Distributions

All patronage, dividend and equalization payments are at the sole discretion of our Board.

Wholesale Patronage

(in thousands)

For the year ended December 31,	2016	2015	2014
Wholesale patronage	$195,826	$183,659	$221,367
Wholesale patronage in basis points	25.6	26.0	33.5
Additional spread patronage	$42,064	$ --	$ --
Additional wholesale asset pool patronage	7,363	8,124	11,795

Wholesale patronage is distributed quarterly to our members. In 2016, the patronage rate was targeted to equal 50 percent of 2016 net income after Asset Pool and AgDirect program patronage, additional spread patronage and equalization payments. The targeted payout ratio of 50 percent was subject to adjustment based upon the capital needs of AgriBank, considering growth and future capital needs.

As part of our plan to ensure we maintain an appropriate level of earnings, during 2016 we began charging OFIs and certain District Associations an additional spread on the interest rate paid on their direct lending from us. This additional spread charged is available to be paid as patronage if not needed to absorb losses or for other uses at the sole discretion of our Board. Patronage totaling $42.1 million was declared by our Board in 2016 resulting from earnings from this additional spread income.

Additional wholesale Asset Pool patronage represents the amount of patronage that would have been paid on wholesale loans if we had not purchased the Asset Pools.

Separate patronage pools are maintained for each District Association participating in the Asset Pool program. On a quarterly basis, our Board has the option to pay patronage related to this program. The Board chose to declare patronage of $63.5 million, $70.1 million and $81.9 million in 2016, 2015 and 2014, respectively, which was equal to the net earnings of each pool to the respective District Association.

Separate patronage pools, based upon the year of loan origination, are maintained for the AgDirect program. On a quarterly basis, our Board has the option to pay patronage related to this program. Our Board chose to declare patronage of $23.3 million, $22.1 million and $22.5 million in 2016, 2015 and

2014, respectively, which was equal to the net earnings of the program less a specified return on our capital.

On a quarterly basis, our Board has the option to pay equalization payments (a form of patronage) to District Associations and OFIs based on the quarterly average balance of certain stock. Our Board declared equalization payments of $60 thousand, $55 thousand and $70 thousand in 2016, 2015 and 2014, respectively, which was based on an equalization rate targeted to equal the average marginal cost of debt (MCD) for all District Associations as a group.

In addition to patronage to our members, our Board declared perpetual preferred stock dividends of $17.2 million during each 2016, 2015 and 2014.

Accumulated Other Comprehensive Loss

Our investment portfolio is held primarily for liquidity purposes; accordingly, it is considered available-for-sale and is carried at fair value. Unrealized gains and losses on investment securities that are not other-than-temporarily impaired are reported as a separate component of shareholders' equity. Unrealized gains and losses related to the non-credit component of other-than-temporarily impaired investment securities are also reported as a separate component of shareholders' equity. Other comprehensive loss on AFS investment securities totaled $42.4 million for the year ended December 31, 2016, primarily driven by changes in net unrealized losses of $32.2 million due to increases in interest rates. In addition, we reclassified $10.2 million from other comprehensive income to miscellaneous income and other gains, net as a result of the AFS investment securities sold during 2016.

Our derivative portfolio includes certain derivatives designated as cash flow hedges. Unrealized gains and losses on the effective portion of cash flow hedges are reported as a separate component of shareholders' equity. The majority of cash flow derivatives are hedging rising long-term interest rates. Due to increasing interest rates during 2016, the fair value of certain cash flow derivatives increased, resulting in $47.3 million of other comprehensive income for the year ended December 31, 2016.

Results of Operations

Net income increased $56.1 million, or 11.7 percent, for the year ended December 31, 2016 primarily driven by net interest income.

Profitability Information

(in thousands)

For the year ended December 31,	2016	2015	2014
Net income	**$536,065**	$479,973	$569,648
Return on average assets	**0.53%**	0.51%	0.64%
Return on average members' equity	**10.12%**	9.52%	11.74%

Changes in Significant Components of Net Income

(in thousands) For the year ended December 31,	2016	2015	2014	Current Year Increase (Decrease) in Net Income	Prior Year Decrease in Net Income
Net interest income	**$574,475**	$520,002	$525,033	$54,473	$(5,031)
Provision for loan losses	**6,500**	7,500	3,500	1,000	(4,000)
Non-interest income	**96,768**	91,916	159,859	4,852	(67,943)
Non-interest expense	**128,678**	124,445	111,744	(4,233)	(12,701)
Net income	**$536,065**	$479,973	$569,648	$56,092	$(89,675)

Net Interest Income

Changes in Net Interest Income

(in thousands) **For the year ended December 31,**	**2016 vs 2015**			2015 vs 2014		
Increase (decrease) due to:	**Volume**	**Rate**	**Total**	Volume	Rate	Total
Interest income:						
Loans	**$97,524**	**$116,411**	**$213,935**	$60,556	$17,112	$77,668
Investments	**1,281**	**44,535**	**45,816**	8,532	16,650	25,182
Total interest income	**98,805**	**160,946**	**259,751**	69,088	33,762	102,850
Interest expense:						
Systemwide debt securities and other	**(66,268)**	**(139,010)**	**(205,278)**	(63,301)	(44,580)	(107,881)
Net change in net interest income	**$32,537**	**$21,936**	**$54,473**	$5,787	$(10,818)	$(5,031)

Information regarding the average daily balances (ADB), average rates earned and components of net interest income (NII) on our portfolio follows:

(in thousands)

For the year ended December 31, 2016

	ADB	Rate	NII
Interest earning assets:			
Wholesale loans	**$75,875,427**	**1.75%**	**$1,328,649**
Retail accrual loans	**7,785,799**	**3.68%**	**287,234**
Retail nonaccrual loans	**50,331**	**8.18%**	**4,127**
Investment securities and federal funds	**15,929,217**	**0.93%**	**147,879**
Total earning assets	**99,640,774**	**1.77%**	**1,767,889**
Interest bearing liabilities	**94,647,671**	**1.26%**	**1,193,414**
Interest rate spread	**$4,993,103**	**0.51%**	
Impact of equity financing		**0.07%**	
Net interest margin		**0.58%**	
Net interest income			**$574,475**

(in thousands)

For the year ended December 31, 2015

	ADB	Rate	NII
Interest earning assets:			
Wholesale loans	$69,954,813	1.60%	$1,120,427
Retail accrual loans	7,829,323	3.62%	283,245
Retail nonaccrual loans	41,957	5.73%	2,403
Investment securities and federal funds	15,734,287	0.65%	102,063
Total earning assets	93,560,380	1.61%	1,508,138
Interest bearing liabilities	88,919,484	1.11%	988,136
Interest rate spread	$4,640,896	0.50%	
Impact of equity financing		0.06%	
Net interest margin		0.56%	
Net interest income			$520,002

(in thousands)

For the year ended December 31, 2014

	ADB	Rate	NII
Interest earning assets:			
Wholesale loans	$65,452,391	1.57%	$1,029,994
Retail accrual loans	8,022,898	3.68%	294,963
Retail nonaccrual loans	38,118	9.05%	3,451
Investment securities and federal funds	14,247,058	0.54%	76,881
Total earning assets	87,760,466	1.63%	1,405,289
Interest bearing liabilities	83,337,701	1.06%	880,256
Interest rate spread	$4,422,765	0.54%	
Impact of equity financing		0.06%	
Net interest margin		0.60%	
Net interest income			$525,033

Net interest margin increased two basis points for the year ended December 31, 2016, compared to the same period last year. The positive impact of increases in interest rates on our wholesale loans due to the increase in our wholesale spread, along with higher loan volume compared to the prior year, was partially offset by increases in interest expense related to Systemwide debt securities as well as our changing earning asset mix. The earning asset mix changes were driven by increases in lower

yielding loans to District Associations relative to higher yielding retail participations purchased. To a lesser extent, competitive pressures on the retail loan portfolio, excluding the majority of our production and intermediate-term loans, contributed to compressed spreads. Equity financing represents the benefit of non-interest rate bearing funding, which increased slightly from the prior period primarily due to an increase in interest rates. The benefit of equity financing is greater when interest rates are higher as this equity allows the Bank to fund higher earning assets with equity rather than higher rate funding. In the current interest rate environment, the positive contribution from funding actions is expected to continue to decline. We estimate funding actions contributed 18 basis points to the interest rate spread in 2016, compared to 21 and 23 basis points in 2015 and 2014, respectively.

Changes in loans are further discussed in the Loan Portfolio section of this report.

Provision for Loan Losses

The year-over-year volatility in provision for loan losses can be impacted by a single loan or borrower. As our loan credit quality is reverting toward more normal levels, we have seen a slight increase in provision for loan losses in recent years. Within our retail loan portfolio, the production and intermediate-term loan sector has continued to grow. The provision for loan losses in 2016, 2015 and 2014 primarily reflects the credit quality of the production and intermediate-term sector of our retail loan portfolio.

Refer to the discussion of the allowance for loan losses in the Allowance for Loan Losses section of this report.

Non-interest Income

Components of Non-interest Income

(in thousands)

For the year ended December 31,	**2016**	2015	2014
Mineral income	**$36,351**	$56,535	$105,896
Loan prepayment and fee income	**31,958**	14,854	16,447
Business services income	**17,020**	19,410	15,799
Miscellaneous income and other gains, net	**11,439**	1,117	21,717
Total	**$96,768**	$91,916	$159,859

Mineral income was earned primarily from royalties received on mineral rights, predominantly in the Williston Basin in western North Dakota. Toward the latter part of 2014 and continuing throughout 2015 and into 2016, oil prices dropped significantly. While prices began to rise in the latter part of 2016, mineral income for the year reflects lower oil prices relative to 2015 and 2014. We anticipate 2017 oil prices to increase slightly from 2016 levels, but to remain well below the high levels experienced during 2014.

Low interest rates have driven prepayment and conversion activity in District Associations' retail portfolios in 2014, 2015 and 2016. Loan prepayment and fee income reflects prepayment and conversion fees recognized as a result of refinancing activity, primarily related to funding our wholesale lending. The majority of our loan prepayment and fee income is recorded when District Association retail loans

financed through our wholesale loan volume prepay or convert and the District Association is assessed a wholesale fee.

Business services income includes revenue from District Associations of $16.6 million, $19.2 million and $15.5 million in 2016, 2015 and 2014, respectively. Business services income includes variable costs for services performed on behalf of System entities, primarily District Associations, and absorbs a portion of corporate overhead that contributes to the cost-effective operations of both the funding Bank and District Associations. We continue to collaborate with District Associations and provide cost-effective business services for the District. Pending District structure changes could potentially impact the number of Associations purchasing services or the cost of providing such services.

We had miscellaneous income and other gains, net of $11.4 million, $1.1 million and $21.7 million in 2016, 2015 and 2014, respectively. This was driven primarily by $10.2 million, $2.6 million and $20.0 million, respectively, of non-recurring net gains related to the sales of certain AFS investment securities during 2016, 2015 and 2014, which no longer met earnings or capital usage targets. The majority of these sales were home-equity ABS and non-agency MBS securities and, during 2016, all remaining securities in these categories were sold. Refer to Note 4 of the accompanying Financial Statements for further discussion.

Non-interest Expense

Components of Non-interest Expense

(in thousands)

For the year ended December 31,	2016	2015	2014
Salaries and employee benefits	**$39,297**	$38,370	$35,262
Other operating expenses:			
Purchased services	**9,675**	9,053	7,271
Occupancy and equipment	**12,304**	12,001	10,893
Examination expense	**5,330**	4,642	4,421
Other	**10,761**	13,160	10,744
Loan servicing and other fees paid to District Associations	**37,408**	35,777	32,901
Farm Credit System insurance expense	**13,903**	10,749	10,102
Net impairment recognized in earnings	**--**	693	150
Total	**$128,678**	$124,445	$111,744

Our employee benefits expenses are primarily related to the District qualified and nonqualified pension plans and are significantly impacted by assumptions related to economic conditions as well as the investment strategies of the plans. Declining interest rates from 2014 to 2015 as well as changes in discount rate assumptions in 2016 were the primary drivers for changes in employee benefits in 2015 and 2016, respectively. We expect benefits expense to decrease in 2017, primarily due to a pension plan amendment during 2016 and increased return on assets as a result of increased funding, partially offset by decreases in discount rate and expected return on plan assets assumptions. Refer to Note 8 of the accompanying Financial Statements for further information regarding benefit plans.

Farm Credit System insurance fund expense is directly impacted by the premium rate we are assessed. Premiums were 16 basis points for the first half and 18 basis points for the second half of 2016, compared to 13 basis points and 12 basis points in 2015 and 2014, respectively. The Insurance Corporation has announced premiums will decrease to 15 basis points for 2017.

Interest Rate Risk Management

Interest rate risk is the risk that changes in interest rates may adversely affect operating results and financial condition. Interest rate risk arises primarily from funding fixed rate loans that can be prepaid, adjustable rate loans with interest rate caps and decisions related to the investment of our equity. We manage substantially all of the District's interest rate risk. Our ability to effectively manage interest rate risk relies on our ability to issue debt with terms and structures that match our asset terms and structures. Because a substantial portion of those assets are prepayable, we issue a significant amount of callable debt. We also use derivatives to manage interest rate risk and reduce our funding costs.

We manage exposure to changes in interest rates under policies established by our Board and limits established by our ALCO. Policies and limits regulate maximum exposure to net interest income and economic value of equity changes for specified changes in market interest rates. A full analysis of interest rate risk is completed monthly. Through these analyses, appropriate funding strategies are developed to manage the sensitivity of net interest income and economic value of equity to changes in interest rates.

Our primary techniques used to analyze interest rate risk are:

- Interest rate gap analysis, which compares the amount of interest-sensitive assets to interest-sensitive liabilities repricing in selected time periods under various interest rate and prepayment assumptions.
- Net interest income sensitivity analysis, which projects net interest income in each of the next three years given various rate scenarios.
- Economic value of equity sensitivity analysis, which estimates the economic value of assets, liabilities and equity given various rate scenarios.

The assumptions used in our analyses are monitored routinely and adjusted as necessary. Assumptions about loan prepayment behavior are the most significant to the results. Prepayment speeds are estimated as a function of rate levels, age and seasoning. We monitor and track prepayment history and consider adjustments to our assumed prepayment speeds based on our historical observed experience. We use third-party prepayment models for MBS investments.

Interest Rate Gap Analysis

The following table is based on the known repricing dates of certain assets and liabilities and the assumed or estimated repricing dates of others under an implied forward rate scenario. Prepayment estimates for loans are assumed consistent with our standard prepayment assumptions. Callable debt is shown at the first call date it is expected to be exercised given implied forward rates. Various assets and liabilities may not reprice according to the assumptions and estimates used. The analysis provides a static view of our interest rate sensitivity position and does not capture the dynamics of an evolving balance sheet, interest rate and spread changes in different interest rate environments, and the active role of asset and liability management.

Interest Rate Gap Position

(in thousands)	Repricing Intervals						
As of December 31, 2016	Year 1	Year 2	Year 3	Year 4	Year 5	Over 5 Years	Total
Earning assets:							
Prepayable loans	$42,241,254	$7,802,601	$6,350,267	$4,837,067	$4,262,727	$17,361,153	$82,855,069
Other loans	545,819	297,448	439,457	279,501	202,349	1,458,759	3,223,333
Investments and federal funds	10,965,210	2,378,314	938,778	331,264	233,127	641,859	15,488,552
Total earning assets	$53,752,283	$10,478,363	$7,728,502	$5,447,832	$4,698,203	$19,461,771	$101,566,954
Callable debt	$1,107,874	$2,260,935	$4,262,422	$4,022,000	$3,221,059	$17,107,834	$31,982,124
Other debt	52,618,534	7,523,274	2,733,660	515,881	465,562	794,396	64,651,307
Effect of interest rate swaps and other derivatives	(347,815)	(888,992)	(264,100)	40,399	94,001	1,366,507	--
Total rate-sensitive liabilities	$53,378,593	$8,895,217	$6,731,982	$4,578,280	$3,780,622	$19,268,737	$96,633,431
Interest rate sensitivity gap	$373,690	$1,583,146	$996,520	$869,552	$917,581	$193,034	$4,933,523
Cumulative gap	$373,690	$1,956,836	$2,953,356	$3,822,908	$4,740,489	$4,933,523	
Cumulative gap as a % of earning assets	0.7%	3.0%	4.1%	4.9%	5.8%	4.9%	

Net Interest Income and Economic Value of Equity (EVE) Sensitivity Analysis

The economic value of equity sensitivity analysis provides a static view of our interest rate sensitivity position, commensurate with the interest rate gap analysis. Net interest income projections and sensitivity analysis incorporate assumptions to capture the dynamics of an evolving balance sheet. Policy limits related to interest rate sensitivity assume interest rates for all maturities change immediately in the same direction and amount (a parallel shock). We also routinely review the impact of a gradual change over one year in interest rates in the same direction and same amount (a parallel ramp). Periodically, we review multi-year net interest income projections and the impact of varying the amount of change in rates at different maturities (a twist, flattening or steepening of the yield curve). Our policies establish a maximum variance from our base case in a plus or minus 200 basis point change in rates, except when the U.S. Treasury three-month rate is below 4 percent, at which time the minus scenario is limited to one-half of the U.S. Treasury three-month rate.

Because of the low interest rates at December 31, 2016, the down scenario is limited to a down 25 basis point change.

NII Sensitivity Analysis

	Basis Point Interest Rate Change		
As of December 31, 2016	Down 25	Up 100	Up 200
Immediate Change (Shock):			
NII sensitivity	(1.0%)	(1.0%)	(3.8%)
Board policy	(15.0%)		(15.0%)
Gradual Change (Ramp):			
NII sensitivity		1.0%	0.4%

EVE Sensitivity Analysis

	Basis Point Interest Rate Change		
As of December 31, 2016	**Down 25**	**Up 100**	**Up 200**
Immediate Change (Shock):			
EVE sensitivity	**1.0%**	**(3.8%)**	**(7.4%)**
Board policy	**(12.0%)**		**(12.0%)**

Derivative Financial Instruments

We primarily use derivative financial instruments to reduce funding costs, improve liquidity and manage interest rate sensitivity. We do not hold or issue derivatives for trading purposes. The types and uses of derivatives we may use are:

- Receive-fixed swaps to convert interest payments on fixed rate bonds into floating rates. These transactions enable us to improve liquidity, obtain lower funding cost or to hedge basis risk.
- Pay-fixed swaps primarily to create lower cost synthetic fixed rate funding, to hedge future debt issuance costs or to manage interest rate sensitivity.
- Swaps with floors to hedge cash flow exposure to falling rates on floating rate assets.
- Caps and swaps with caps to hedge cash flow risk in caps sold with retail loans or embedded in investments or to cap interest rates on floating rate debt.
- Pay-fixed swaptions (option to enter into a pay-fixed swap) to hedge future debt issuance costs.
- Corridors to limit net interest costs on floating rate or rolling short-term debt in rising rate scenarios by using a purchased cap and a sold cap with a higher strike rate.
- Interest rate swaps with retail borrowers, including pay-fixed and receive-fixed swaps, to create product offerings to qualified borrowers of District Associations. Typically we would enter into an offsetting swap with a third party.

Derivative activities are guided by Board policy and monitored by our ALCO and CRC, who are responsible for approving strategies that are developed through analysis of data derived from financial simulation models and other internal and industry sources. The resulting strategies are incorporated into our overall interest rate risk management strategies.

By using derivative instruments, we are subject to credit and market risk. If a counterparty is unable to perform under a derivative contract, our credit risk equals the net amount due to us. Generally, when the fair value of a derivative contract is positive, we have credit exposure to the counterparty, creating credit risk for us. When the fair value of the derivative contract is negative, we do not have credit exposure; however, there is a risk of our nonperformance under the terms of the derivative transaction. The fair value of derivatives includes credit valuation adjustments (CVA), which resulted in a decrease in the fair value of derivative assets of $198 thousand, at December 31, 2016, and increases of $71 thousand and $82 thousand at December 31, 2015 and 2014, respectively. The CVA reflects credit risk of each derivative counterparty to which we have exposure, net of any collateral posted by the counterparty and an adjustment for our creditworthiness where the counterparty has exposure to us. The change in the CVA for the year is included in "Miscellaneous income and other gains, net" on the Statements of Comprehensive Income.

We also facilitate interest rate swaps to qualified borrowers of District Associations. These swaps allow qualified borrowers to manage their interest rate risk and lock in a fixed interest rate similar to a fixed rate loan. We manage the interest rate risk from customer swaps with the execution of offsetting

interest rate swap transactions. We receive an appropriate risk-adjusted spread on our swap with the retail swap customer.

We may enter into over-the-counter (OTC) derivative transactions directly with a counterparty or we may clear such transactions through a futures commission merchant (FCM) with a clearinghouse or a central counterparty (CCP). When the swap is cleared by the two parties, the single bilateral swap is divided into two separate swaps with the CCP becoming the counterparty to both of the initial parties to the swap. CCPs have several layers of protection against default including margin, member capital contributions and FCM guarantees of their customers' transactions with the CCP. FCMs also pre-qualify the counterparties to all swaps that are sent to the CCP from a credit perspective, setting limits for each counterparty and collecting initial and variation margin daily from each counterparty for changes in the value of cleared derivatives. The margin collected from both parties to the swap protects against credit risk in the event a counterparty defaults. The initial and variation margin requirements are set by and held for the benefit of the CCP. Additional initial margin may be required and held by the FCM, due to its guarantees of its customers' trades with the CCP.

The Dodd-Frank Act requires the centralized clearing of certain OTC swaps by swap dealers and major swap participants, as well as certain other market participants, including financial institutions. Currently, instrument types that must be cleared will primarily be interest rate swaps and credit default swaps. Many end users of swaps, including certain banks, credit unions and Farm Credit System institutions with less than $10 billion in assets, qualify for an exemption from clearing if the swap is used to hedge commercial risk. The U.S. Commodity Futures Trading Commission has also established a clearing exemption for certain swaps entered into by cooperatives. All Farm Credit System institutions qualify for this Cooperative Exemption, and, therefore, are able to elect the clearing exemption for any swap that meets the criteria stipulated in the exemption. This exemption does not cover all swaps that are executed by Farm Credit System institutions and is generally limited to transactions entered into in connection with loans to members.

Centrally Cleared Interest Rate Swaps

(in thousands)

As of December 31,	2016	2015	2014
Notional Amount	**$2,279,396**	$723,000	$305,000
Initial margin pledged to counterparties	**$27,856**	$17,769	$8,020
Variation margin pledged (by) to counterparties	**(6,679)**	14,254	13,998
Total margin pledged to counterparties, net	**$21,177**	$32,023	$22,018

For OTC derivative transactions entered into before mandatory clearing, and for derivative transactions that qualify for the Cooperative Exemption, we may enter into derivative transactions directly with counterparties under bilateral master agreements. With the exception of our interest rate swaps with retail borrowers, we execute our bilateral derivative transactions only with non-customer counterparties that have an investment-grade or better credit rating from a rating agency. We manage credit risk by monitoring the credit standing and managing levels of exposure to individual counterparties. As counterparty credit ratings are downgraded, we lower the credit exposure level at which collateral must be pledged, thereby reducing our exposure to counterparty risk. We currently anticipate performance by all of our counterparties. We enter into master agreements that contain netting provisions, which allow

us to offset amounts we owe the counterparty on one derivative contract to amounts owed to us by the same counterparty on another derivative contract. These provisions allow us to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts. All of our derivative transactions are supported by collateral arrangements with counterparties. We had cash collateral pledged to counterparties of $10.0 million as of December 31, 2016 for OTC transactions. We had no cash collateral pledged as of December 31, 2015 for OTC transactions. As of December 31, 2014, we had cash collateral pledged by counterparties of $7.3 million for OTC transactions. We had no securities posted as collateral from counterparties at December 31, 2016, 2015 and 2014.

Derivative Credit Loss Exposure by Credit Rating

(in thousands) **As of December 31, 2016**	**Years to maturity** **Less Than One Year**	**One to Five Years**	**Over Five Years**	**Maturity Distribution Netting**	**Exposure**	**Collateral Pledged**	**Exposure Net of Collateral**
Moody's Credit Rating							
Aa2	**$1,190**	**$99**	**$15,970**	**$(6,272)**	**$10,987**	**$ --**	**$10,987**
Aa3	**3,030**	**--**	**710**	**(3,740)**	**--**	**--**	**--**
Cleared derivatives	**--**	**--**	**7,141**	**(5,145)**	**1,996**	**6,679**	**--**
Total	**$4,220**	**$99**	**$23,821**	**$(15,157)**	**$12,983**	**$6,679**	**$10,987**

Derivative credit loss exposure is estimated by calculating the cost, on a present value basis, to replace all outstanding derivative contracts in a gain position. Within each maturity category, contracts in a loss position are netted against contracts in a gain position with the same counterparty. If the net position within a maturity category with a particular counterparty is a loss, no amount is reported. Maturity distribution netting represents the impact of netting of derivatives in a gain position and derivatives in a loss position for the same counterparty across different maturity categories.

Derivative instruments are discussed further in Notes 2, 12 and 13 to the accompanying Financial Statements.

Expected Maturities of Derivative Products and Other Financial Instruments

(in thousands) As of December 31, 2016	2017	2018	2019	2020	2021	2022 and thereafter	Total	Fair Value
Bonds and Notes:								
Fixed rate	$16,052,559	$9,772,729	$6,986,091	$4,536,155	$3,670,000	$17,828,164	$58,845,698	$58,227,034
Average interest rate	1.0%	1.1%	1.2%	1.4%	1.6%	2.5%	1.6%	
Variable rate	18,238,733	18,350,000	1,199,000	--	--	--	37,787,733	37,884,363
Average interest rate	0.5%	0.6%	0.7%	--	--	--	0.6%	
Total bonds and notes	$34,291,292	$28,122,729	$8,185,091	$4,536,155	$3,670,000	$17,828,164	$96,633,431	$96,111,397
Derivative Instruments:								
Receive-fixed swaps								
Notional value	$950,000	$945,000	$671,000	$ --	$ --	$ --	$2,566,000	$(4,647)
Weighted average receive rate	1.5%	1.0%	1.4%	--	--	--	1.3%	
Weighted average pay rate	1.5%	2.0%	2.2%	--	--	--	1.9%	
Pay-fixed swaps								
Notional value	--	50,000	115,000	104,000	170,000	1,598,000	2,037,000	(17,256)
Weighted average receive rate	--	2.0%	2.0%	2.3%	2.4%	2.5%	2.4%	
Weighted average pay rate	--	4.3%	3.3%	3.3%	2.5%	2.2%	2.4%	
Amortizing pay-fixed swaps								
Notional value	--	--	--	--	--	51,396	51,396	3,418
Weighted average receive rate	--	--	--	--	--	2.5%	2.5%	
Weighted average pay rate	--	--	--	--	--	1.2%	1.2%	
Floating for floating swaps								
Notional value	400,000	200,000	200,000	300,000	600,000	1,400,000	3,100,000	119
Weighted average receive rate	1.4%	1.8%	2.1%	2.3%	2.4%	2.5%	2.2%	
Weighted average pay rate	1.5%	2.1%	2.1%	2.3%	2.4%	2.5%	2.3%	
Customer swaps								
Notional value	--	--	15,000	4,000	--	71,396	90,396	(2,718)
Weighted average receive rate	--	--	1.4%	1.2%	--	1.6%	1.5%	
Weighted average pay rate	--	--	2.1%	2.3%	--	2.5%	2.4%	
Credit valuation adjustment								(198)
Total derivative instruments	$1,350,000	$1,195,000	$1,001,000	$408,000	$770,000	$3,120,792	$7,844,792	$(21,282)
Total weighted average rates on swaps:								
Receive rate	1.5%	1.2%	1.6%	2.3%	2.4%	2.5%	2.0%	
Pay rate	1.5%	2.1%	2.3%	2.6%	2.4%	2.3%	2.2%	

The table was prepared based on implied forward variable interest rates as of December 31, 2016 and, accordingly, the actual interest rates to be received or paid will be different to the extent that the variable rates fluctuate from December 31, 2016 implied forward rates.

Other Risks

Operational Risk

Operational risk represents the risk of loss resulting from our operations. Operational risk includes risks related to fraud, processing errors, breaches of internal controls, cybersecurity and natural disasters. Operational risk is inherent in all business activities, and the management of this risk is important to the achievement of our objectives. We manage operational risk through established internal control processes and business continuity and disaster recovery plans. We maintain systems of controls with the

objectives of providing appropriate transaction authorization and execution, proper system operations, safeguarding of assets and reliability of financial and other data. We have a strong control environment, including an independent audit committee, a code of ethics for senior officers and key financial personnel and an anonymous whistleblower program. We have developed and regularly update comprehensive business continuity and disaster recovery plans and routinely test plans with the goal of ensuring ongoing operations under a variety of adverse scenarios. We maintain sound security infrastructure, which we periodically test. We also provide privacy and cybersecurity awareness training to staff.

We document, test and evaluate internal control over financial reporting (ICFR) to support the Farm Credit System-level attestation for ICFR and our own internal management assessment over ICFR consistent with that required by Sarbanes-Oxley Section 404. All significant processes supporting ICFR are covered by this effort. This effort supports a strong control environment through increased awareness, documentation and testing of key controls. We also receive Service Organization Control Type 1 (SOC 1) reports that cover ICFR for various service providers. We analyze these reports to ensure appropriate ICFR controls are operating at the service provider, as well as ensuring user controls and compensating controls, if needed, are operating at the Bank to support our ICFR structure. Lastly, the loan system maintained at the Bank is used centrally for a large majority of the District. This system is examined by an independent auditor annually, and we provide a SOC 1 report to all users of this technology system.

Reputation Risk

Reputation risk is defined as the negative impact resulting from events, real or perceived, that shape the image of the Farm Credit System or any of its entities. Such risks include impacts related to investors' perceptions about agriculture, the reliability of the System financial information or business practices by any System institution which may appear to conflict with the System mission. The Farm Credit System Business Practices Committee is responsible for reviewing business practices and, where appropriate, risk mitigation efforts, as well as providing strategic direction on System reputation management initiatives.

Credit Risk Related to Joint and Several Liability

We have exposure to Systemwide credit risk because we are jointly and severally liable for all Systemwide debt issued. Under joint and several liability, if a System Bank is unable to pay its obligations as they come due, the other Banks in the System would ultimately be called upon to fulfill those obligations. Total Systemwide debt at December 31, 2016 was $257.8 billion. The existence of the Farm Credit Insurance Fund (Insurance Fund), the CIPA and the Market Access Agreement (MAA) help to mitigate this risk.

Refer to Note 10 of the accompanying Financial Statements for additional information related to the CIPA and MAA.

If a System Bank fails to meet certain CIPA performance criteria as defined in the MAA, it will be placed into one of three categories. Each category gives the other System Banks progressively more control over debt issuances at a System Bank that has declining financial performance under the MAA performance criteria. A "Category I" Bank is subject to additional monitoring and reporting requirements; a "Category II" Bank's ability to participate in issuances of Systemwide Debt Securities may be limited to refinancing maturing debt obligations; and a "Category III" Bank may not be permitted to participate in issuances of Systemwide Debt Securities.

The Farm Credit Act established the Insurance Corporation to administer the Insurance Fund. The Insurance Fund is used for:

- Insuring the timely payment of principal and interest on Farm Credit Systemwide debt obligations
- Insuring the retirement of protected borrower capital at par or stated value
- Other specified purposes

Refer to Note 1 of the accompanying Financial Statements for further information on the Insurance Fund.

The basis for assessing premiums is insured debt outstanding. Nonaccrual loans and impaired investments are assessed a surcharge, while guaranteed loans and investments are deductions from the premium base. We, in turn, assess premiums to District Associations each year based on similar factors.

The Insurance Corporation does not insure any payments on our preferred stock, common stock or risk participation certificates. To the extent we must fund our allocated portion of another System Bank's portion of the Systemwide Debt Securities due to default, our earnings and total shareholders' equity would be negatively impacted.

Additional Regulatory Information

Investment Securities Eligibility

On June 12, 2014, the FCA Board approved a proposed rule to revise the requirements governing the eligibility of investment securities for System Banks and Associations. The stated objectives of the proposed rule are to:

- Strengthen the safety and soundness of System Banks and Associations
- Ensure that System Banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption
- Enhance the ability of the System Banks to supply credit to agricultural and aquatic producers
- Comply with the requirements of section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act
- Modernize the investment eligibility criteria for System Banks
- Revise the investment regulation for System Associations to improve their investment management practices so they are more resilient to risk

The public comment period ended on October 23, 2014. The proposed rule is currently on FCA's Unified Agenda of Regulations and Reviews for 2017.

Critical Accounting Policies

Our Financial Statements are reported based on accounting principles generally accepted in the United States of America (GAAP) and require that significant judgment be applied to various accounting, reporting and disclosure matters. We use assumptions and estimates to apply these principles where actual measurement is not possible or practical. For a complete discussion of significant accounting policies, refer to Note 2 of the accompanying Financial Statements. The following is a summary of certain critical accounting policies:

- Allowance for Loan Losses — The allowance for loan losses is our best estimate of the amount of losses on loans in our portfolio as of the date of the Financial Statements. We determine the allowance for loan losses based on a periodic evaluation of our loan portfolio, which considers loan loss history, estimated probability of default, estimated loss severity, portfolio quality and current economic and environmental conditions. Refer to the Loan Portfolio – Allowance for Loan Losses section for further discussion.
- Fair Value Measurements — We apply various valuation methods to assets and liabilities that often involve judgment, particularly when liquid markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets, such as certain investment securities. However, for those items for which an observable active market does not exist, we utilize significant estimates and assumptions to value such items. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, loss severity rates and third-party prices. The use of different assumptions could produce significantly different results.

Report of Management

AgriBank, FCB

We prepare the Financial Statements of AgriBank, FCB (AgriBank) and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Statements, in our opinion, fairly present the financial condition of AgriBank. Other financial information included in the Annual Report is consistent with that in the Financial Statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the Financial Statements. They also conduct a review of internal controls to the extent necessary to comply with generally accepted auditing standards in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness, as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consult regularly with us and meet periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is comprised solely of directors who are not officers or employees of AgriBank.

The undersigned certify we have reviewed AgriBank, FCB's December 31, 2016 Annual Report, and it has been prepared in accordance with all applicable statutory and regulatory requirements and the information contained herein is true, accurate and complete to the best of our knowledge and belief.

Matthew D. Walther
Chair of the Board
AgriBank, FCB

William J. Thone
Chief Executive Officer
AgriBank, FCB

Brian J. O'Keane
Executive Vice President, Banking and Finance and Chief Financial Officer
AgriBank, FCB

March 1, 2017

Report on Internal Control Over Financial Reporting

AgriBank, FCB

AgriBank, FCB's (AgriBank) principal executives and principal financial officers or persons performing similar functions are responsible for establishing and maintaining adequate internal control over financial reporting for AgriBank's Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of AgriBank's principal executives and principal financial officers or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting information and the preparation of the Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of AgriBank, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of AgriBank and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of AgriBank's assets that could have a material effect on its Financial Statements.

AgriBank's management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2016. In making the assessment, management used the 2013 framework in Internal Control — Integrated Framework, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, AgriBank concluded that as of December 31, 2016, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, AgriBank determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2016.

William J. Thone
Chief Executive Officer
AgriBank, FCB

Brian J. O'Keane
Executive Vice President, Banking and Finance and Chief Financial Officer
AgriBank, FCB

March 1, 2017

Report of Audit Committee

AgriBank, FCB

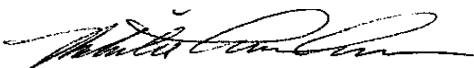
The Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is comprised of a subset of the Board of Directors of AgriBank, FCB (AgriBank). The Audit Committee oversees the scope of AgriBank's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of AgriBank's system of internal controls and procedures and the adequacy of management's actions with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the Financial Statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Financial Statements in accordance with generally accepted auditing standards in the United States of America and to issue a report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited Financial Statements for the year ended December 31, 2016, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards AU-C 260, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditors directly provided reports on any significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC any other matters and received any assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited Financial Statements in the Annual Report for the year ended December 31, 2016.



Natalie Laackman
Audit Committee Chair
AgriBank, FCB

John Schable
Roy Tiarks
Keri Votruba
Thomas Wilkie, III

March 1, 2017

Report of Independent Auditors

To the Board of Directors of AgriBank, FCB,

We have audited the accompanying Financial Statements of AgriBank, FCB (AgriBank), which comprise the statements of condition as of December 31, 2016, 2015 and 2014, and the related statements of comprehensive income, of changes in shareholders' equity and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to AgriBank's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AgriBank's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the financial position of AgriBank, FCB as of December 31, 2016, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 1, 2017

PricewaterhouseCoopers LLP, 45 South Seventh Street, Suite 3400, Minneapolis, MN 55402
T: (612) 596 6000, www.pwc.com/us

Statements of Condition

AgriBank, FCB

(in thousands)

As of December 31,	2016	2015	2014
Assets			
Loans	**$86,078,402**	$82,819,652	$77,546,155
Allowance for loan losses	**21,282**	18,076	12,520
Net loans	**86,057,120**	82,801,576	77,533,635
Investment securities	**14,897,252**	14,262,883	14,294,777
Cash	**469,996**	533,711	780,948
Federal funds	**591,300**	1,427,125	1,336,780
Accrued interest receivable	**420,670**	381,104	350,211
Derivative assets	**13,125**	698	15,383
Other property owned	**349**	565	1,822
Allocated prepaid pension costs	**33,985**	30,002	30,123
Cash collateral pledged to counterparties	**31,128**	32,023	22,018
Other assets	**48,371**	37,147	26,754
Total assets	**$102,563,296**	$99,506,834	$94,392,451
Liabilities			
Bonds and notes	**$96,633,431**	$93,404,251	$88,552,711
Subordinated notes	**--**	498,283	497,899
Accrued interest payable	**223,023**	231,464	204,659
Derivative liabilities	**34,407**	52,002	44,562
Cash collateral pledged by counterparties	**--**	--	7,280
Accounts and other payables	**170,613**	130,060	151,190
Other liabilities	**15,719**	16,658	18,105
Total liabilities	**97,077,193**	94,332,718	89,476,406
Commitments and contingencies (Note 10)			
Shareholders' equity			
Perpetual preferred stock	**250,000**	250,000	250,000
Capital stock and participation certificates	**2,183,701**	2,063,343	1,944,292
Unallocated surplus	**3,132,432**	2,945,638	2,766,818
Accumulated other comprehensive loss	**(80,030)**	(84,865)	(45,065)
Total shareholders' equity	**5,486,103**	5,174,116	4,916,045
Total liabilities and shareholders' equity	**$102,563,296**	$99,506,834	$94,392,451

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income

AgriBank, FCB

(in thousands)

For the year ended December 31,	2016	2015	2014
Interest income			
Loans	**$1,620,010**	$1,406,075	$1,328,408
Investment securities	**147,879**	102,063	76,881
Total interest income	**1,767,889**	1,508,138	1,405,289
Interest expense	**1,193,414**	988,136	880,256
Net interest income	**574,475**	520,002	525,033
Provision for loan losses	**6,500**	7,500	3,500
Net interest income after provision for loan losses	**567,975**	512,502	521,533
Non-interest income			
Mineral income	**36,351**	56,535	105,896
Business services income	**17,020**	19,410	15,799
Loan prepayment and fee income	**31,958**	14,854	16,447
Miscellaneous income and other gains, net	**11,439**	1,117	21,717
Total non-interest income	**96,768**	91,916	159,859
Non-interest expense			
Salaries and employee benefits	**39,297**	38,370	35,262
Other operating expenses	**38,070**	38,856	33,329
Loan servicing and other fees paid to District Associations	**37,408**	35,777	32,901
Farm Credit System insurance expense	**13,903**	10,749	10,102
Net impairment losses recognized in earnings	**--**	693	150
Total non-interest expense	**128,678**	124,445	111,744
Net income	**$536,065**	$479,973	$569,648
Other comprehensive income (loss)			
Investments available-for-sale:			
Not-other-than-temporarily-impaired investments	**$(31,871)**	$(35,607)	$5,850
Other-than-temporarily-impaired investments	**(10,561)**	(4,630)	4,939
Derivatives and hedging activity	**47,267**	437	(65,324)
Total other comprehensive income (loss)	**4,835**	(39,800)	(54,535)
Comprehensive income	**$540,900**	$440,173	$515,113

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Shareholders' Equity

AgriBank, FCB

(in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive (Loss) Income	Total
Balance at December 31, 2013	$250,000	$2,109,843	$2,552,005	$9,470	$4,921,318
Net income			569,648		569,648
Other comprehensive loss				(54,535)	(54,535)
Patronage			(337,599)		(337,599)
Perpetual preferred stock dividends			(17,188)		(17,188)
Perpetual preferred stock issuance costs			(48)		(48)
Capital stock/participation certificates issued		160,203			160,203
Capital stock/participation certificates retired		(325,754)			(325,754)
Balance at December 31, 2014	$250,000	$1,944,292	$2,766,818	$(45,065)	$4,916,045
Net income			479,973		479,973
Other comprehensive loss				(39,800)	(39,800)
Patronage			(283,965)		(283,965)
Perpetual preferred stock dividends			(17,188)		(17,188)
Capital stock/participation certificates issued		182,195			182,195
Capital stock/participation certificates retired		(63,144)			(63,144)
Balance at December 31, 2015	$250,000	$2,063,343	$2,945,638	$(84,865)	$5,174,116
Net income			**536,065**		**536,065**
Other comprehensive income				**4,835**	**4,835**
Patronage			**(332,083)**		**(332,083)**
Perpetual preferred stock dividends			**(17,188)**		**(17,188)**
Capital stock/participation certificates issued		**177,200**			**177,200**
Capital stock/participation certificates retired		**(56,842)**			**(56,842)**
Balance at December 31, 2016	**$250,000**	**$2,183,701**	**$3,132,432**	**$(80,030)**	**$5,486,103**

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

AgriBank, FCB

(in thousands)

For the year ended December 31,	**2016**	2015	2014
Cash flows from operating activities			
Net income	**$536,065**	$479,973	$569,648
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation on premises and equipment	**3,533**	3,358	3,366
Provision for loan losses	**6,500**	7,500	3,500
Net impairment losses recognized in earnings	**--**	693	150
Gain on sale of investment securities, net	**(10,166)**	(2,606)	(19,968)
Amortization of (discounts) premiums on investments, net	**(15,458)**	8,010	16,695
Amortization of discounts on debt and deferred debt issuance costs, net	**100,278**	39,430	28,003
Loss (gain) on derivative activities	**29**	(159)	(753)
Changes in operating assets and liabilities:			
Increase in accrued interest receivable	**(1,318,168)**	(1,118,057)	(1,014,107)
Increase in other assets	**(15,547)**	(10,307)	(980)
(Decrease) increase in accrued interest payable	**(8,441)**	26,805	7,189
Increase (decrease) in other liabilities	**4,096**	(6,237)	(18,674)
Net cash used in operating activities	**(717,279)**	(571,597)	(425,931)
Cash flows from investing activities			
Increase in loans, net	**(1,984,036)**	(4,188,902)	(2,864,137)
Proceeds from sales of other property owned	**767**	1,911	2,308
Increase in investment securities, net	**(896,616)**	(65,100)	(2,864,409)
Proceeds from the sale of investment securities	**245,439**	50,660	138,816
Purchases of premises and equipment, net	**(3,150)**	(3,352)	(2,882)
Net cash used in investing activities	**(2,637,596)**	(4,204,783)	(5,590,304)
Cash flows from financing activities			
Consolidated bonds and notes issued	**229,146,168**	218,646,549	238,882,874
Consolidated bonds and notes retired	**(225,998,333)**	(213,814,646)	(232,175,092)
Subordinated notes retired	**(500,000)**	--	--
Decrease in cash collateral pledged by counterparties	**--**	(7,280)	(16,890)
Decrease (increase) in cash collateral pledged to counterparties	**895**	(10,005)	(17,764)
Patronage distributions paid	**(296,565)**	(296,993)	(296,313)
Costs from issuance of preferred stock, net	**--**	--	(48)
Preferred stock dividends paid	**(17,188)**	(17,188)	(15,566)
Capital stock/participation certificates issued (retired), net	**120,358**	119,051	(213,074)
Net cash provided by financing activities	**2,455,335**	4,619,488	6,148,127
Net (decrease) increase in cash and federal funds	**(899,540)**	(156,892)	131,892
Cash and federal funds at beginning of year	**1,960,836**	2,117,728	1,985,836
Cash and federal funds at end of year	**1,061,296**	$1,960,836	$2,117,728
Supplemental schedule of non-cash activities			
(Increase) decrease in derivative assets	**$(12,427)**	$14,685	$59,305
(Decrease) increase in derivative liabilities	**(17,595)**	7,440	44,381
Decrease in bonds from derivative activity	**(17,216)**	(22,721)	(39,115)
Increase (decrease) in shareholders' equity from cash flow derivatives	**47,267**	437	(65,324)
(Decrease) increase in shareholders' equity from investment securities	**(42,432)**	(40,237)	10,789
Loans transferred to other property owned	**594**	617	2,155
Interest capitalized to loan principal	**1,278,602**	1,087,164	1,008,031
Preferred stock dividends accrued	**4,297**	4,297	4,297
Patronage refunds payable to owners	**122,597**	104,593	138,109
Stock patronage issued	**--**	--	47,523
Supplemental information			
Interest paid	**$1,101,577**	$961,331	$873,061

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

AgriBank, FCB

NOTE 1

Organization and Operations

Farm Credit System and District Organization
AgriBank, FCB (AgriBank) is one of the Banks of the Farm Credit System (the System), a nationwide system of cooperatively owned Banks and Associations, established by Congress and subject to the provisions of the Farm Credit Act of 1971, as amended. The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes.

At January 1, 2017, the System was comprised of three Farm Credit Banks, one Agricultural Credit Bank and 73 Associations across the nation. System entities have specific lending authorities within their chartered territories. We are chartered to serve Associations in substantially all of Arkansas, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, Wisconsin and Wyoming. Our chartered territory is referred to as the District. We serve our chartered territory by lending to the District's Federal Land Credit Associations (FLCAs), Production Credit Associations (PCAs) and Agricultural Credit Associations (ACAs).

At December 31, 2016, the District had 17 ACA parent Associations, each of which has wholly owned FLCA and PCA subsidiaries. AgriBank is primarily owned by these 17 Farm Credit Associations. FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their FLCA and PCA subsidiaries. District Associations are also authorized to provide lease financing options for agricultural purposes and to purchase and hold certain types of investments. We are the primary funding source for all District Associations. We raise funds principally through the sale of consolidated Systemwide bonds and notes to the public through the Federal Farm Credit Banks Funding Corporation (the Funding Corporation).

The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that we can offer. We are authorized to provide, in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related service businesses. The Farm Credit Act, as amended, also allows us to participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a System lending institution but have operations that are functionally similar to the activities of eligible borrowers. We are also authorized to purchase and hold certain types of investments.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System Banks and Associations. The activities of the System Banks and Associations are examined by the FCA and certain actions by these entities require prior approval from the FCA.

The Farm Credit Act established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used for:

- Insuring the timely payment of principal and interest on Farm Credit Systemwide debt obligations
- Insuring the retirement of protected borrower capital at par or stated value
- Other specified purposes

At the discretion of the Insurance Corporation, the Insurance Fund is also available to provide assistance to certain troubled System institutions and for the operating expenses of the Insurance Corporation. Each System Bank is required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2 percent (the secure base amount) of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. The percentage of aggregate obligations can be changed by the Insurance Corporation, at its sole discretion, to a percentage it determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums and under certain circumstances is required to transfer excess funds to establish Allocated Insurance Reserves Accounts (AIRAs). The Insurance Corporation may also distribute all or a portion of these reserve accounts to the System Banks.

The basis for assessing premiums is insured debt outstanding. Nonaccrual loans and impaired investment securities are assessed a surcharge, while guaranteed loans and investment securities are deductions from the premium base. We, in turn, assess premiums to District Associations each year based on similar factors.

AgriBank Operations

We primarily lend to District Associations in the form of lines of credit to fund Associations' loan portfolios. These lines of credit (wholesale loans) are collateralized by a pledge of substantially all of each District Association's assets. The terms of the revolving lines of credit are governed by a General Financing Agreement (GFA) between us and each District Association. The wholesale funding we provide substantially matches the terms and embedded options of the Associations' retail loans. General operating expenses of the Associations are also funded through their lines of credit. We also fund District Association lending through the direct purchase of participations in retail loans from Associations.

In addition to providing loan funds to District Associations, we may provide additional services to the Associations, including financial and retail systems, support and reporting, technology services, insurance services and internal audit services. The revenue received for these services is included in "Business services income," a component of non-interest income.

Service Organizations

The Banks in the System jointly own several service organizations. These organizations were created to provide a variety of services for the System. We have ownership interests in the following service organizations:

- **Federal Farm Credit Banks Funding Corporation** provides for the issuance, marketing and processing of Systemwide Debt Securities using a network of investment dealers and dealer banks and financial management and reporting services
- **Farm Credit Services Building Association** owns and leases premises and equipment to the System's regulator, the FCA

- **Farm Credit System Association Captive Insurance Company** provides corporate insurance coverage to member organizations
- **Farm Credit Foundations (Foundations)** provides benefits and payroll services to AgriBank and District Associations as well as certain other System entities

In addition, the Farm Credit Council acts as a full-service federated trade association that represents the System before Congress, the Executive Branch and others, and provides support services to System institutions on a fee basis.

NOTE 2

Summary of Significant Accounting Policies

Our accounting policies conform to generally accepted accounting principles (GAAP) in the United States of America and prevailing practices within the financial services industry. The preparation of Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In 2016 we adopted ASU 2015-07 "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share," which required retroactive reclassification of investments for which fair value is measured using the net asset value per share practical expedient, consistent with current year presentation. These assets are no longer required to be categorized within the fair value hierarchy and only certain assets in the qualified pension plan were impacted. Pension assets of $136.7 million and $129.3 million were reclassified as of December 31, 2015 and 2014, respectively. Refer to Note 8 for additional disclosure regarding this change.

Certain amounts in the prior years' Financial Statements have been reclassified to conform to current year presentation.

The Financial Statements include the accounts of AgriBank and reflect the investments in service organizations in which we have partial ownership interests. These investments are carried on a cost plus allocated equities basis. No quoted market value is available for the investments in service organizations. These Financial Statements do not include the assets, obligations or results of operation of District Associations. We prepare separate combined financial statements for AgriBank and District Associations.

Loans: Loans are carried at their principal amount outstanding, net of any unearned income, cumulative net charge-offs and unamortized deferred fees. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Accrued interest on wholesale loans is capitalized to loan principal on a monthly basis. Origination fees, net of related costs, are deferred and recognized over the life of the loan as a yield adjustment in net interest income. The net amount of loan fees and related origination costs are not material to the Financial Statements taken as a whole. The majority of our loan-related fees are through funding our wholesale loans. These fees are considered funding charges, because the fees are related to actions of the underlying Association retail

loans, which are funded through the wholesale loans. These wholesale fees are not subject to deferral and are recognized in the period in which they are assessed.

Loans are placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless well secured and in the process of collection) or circumstances indicate that full collection is not expected. When a loan is placed in nonaccrual status, we reverse current year accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment in the loan, unless the net realizable value is less than the recorded investment in the loan, then it is charged-off against the allowance for loan losses. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior charge-offs. In these circumstances interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when principal and interest are current, prior charge-offs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected, the borrower has demonstrated payment performance, and the loan is not classified as doubtful or loss.

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a formally restructured loan for regulatory purposes. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as troubled debt restructurings are considered risk loans (as defined in the Allowance for Loan Losses section).

Allowance for Loan Losses: The allowance for loan losses is an estimate of losses in our loan portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality and current economic and environmental conditions.

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance. A loan is impaired when it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. We generally measure impairment based on the net realizable value of the collateral. Risk loans include nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due. All risk loans are considered to be impaired loans.

We record a specific allowance to reduce the carrying amount of the risk loan by the amount the recorded investment exceeds the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

We determine the amount of allowance that is required by analyzing risk loans and wholesale loans individually and all other retail loans by grouping them into loan segments sharing similar risk

characteristics. An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed, using a two-dimensional loan risk rating model that incorporates a 14-point rating scale to identify and track the probability of borrower default and a separate 6-point scale addressing the loss severity. The combination of estimated default probability and loss severity is the primary basis for recognition and measurement of loan collectability of these pools of loans. These estimated losses may be adjusted for relevant current environmental factors.

Changes in the allowance for loan losses consist of provision activity, recorded in "Provision for loan losses" in the Statements of Comprehensive Income, recoveries and charge-offs.

Investment Securities: FCA regulations permit us to hold eligible investment securities for the purpose of maintaining a liquidity reserve, managing short-term surplus funds and managing interest rate risk. Our investment securities may not necessarily be held to maturity and, accordingly, have been classified as available-for-sale (AFS). These investments are reported at fair value, and unrealized holding gains and losses on investments that are not other-than-temporarily impaired are netted and reported as a separate component of shareholders' equity ("Accumulated other comprehensive loss"). Changes in the fair value of investment securities are reflected as direct charges or credits to other comprehensive income (loss), unless the security is deemed to be other-than-temporarily impaired. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities.

We evaluate our investment securities for other-than-temporary impairment (OTTI) on a quarterly basis. Factors considered in determining whether an impairment is other-than-temporary include: the financial condition and near-term prospects of the issuer, the financial condition of any financial guarantor, if applicable, a current projection of expected cash flow compared to current net carrying value and contractual cash flow, our intent to sell the impaired security and whether we are more likely than not to be required to sell the security before recovery and qualitative consideration of other available information when assessing whether impairment is other-than-temporary.

When OTTI exists and we do not intend to sell the impaired debt security, nor are we more likely than not to be required to sell the security before recovery, we separate the loss into credit-related and non-credit-related components. If a security is deemed to be other-than-temporarily impaired, the security is written down to fair value, the credit-related component is recognized through earnings and the non-credit-related component is recognized in other comprehensive income (loss). Realized gains and losses are determined using the specific identification method and are recognized in current operations.

Cash: Cash, as included on the Financial Statements, represents cash on hand and deposits in banks.

Federal Funds: Federal funds, as included on the Financial Statements, represent excess reserve funds on deposit at the Federal Reserve banks that are lent to other commercial banks. These transactions represent an investment of cash balances overnight in other financial institutions at the federal funds rate. Term federal funds would be a similar investment held for a period longer than overnight.

Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Depreciation is generally provided on the straight-line method over the estimated useful life of the asset.

Gains or losses on disposition are reflected in current operations and are included in “Miscellaneous income and other gains, net” on the Statements of Comprehensive Income. Maintenance and repairs are charged to other operating expenses and improvements are capitalized. Internally developed software costs are capitalized and amortized over their estimated useful life. Premises and equipment are included in “Other assets” on the Statements of Condition.

Other Property Owned: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at the fair value less estimated selling costs upon acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates to the fair value less costs to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Related income, expenses, and gains or losses from operations and carrying value adjustments are included in “Miscellaneous income and other gains, net” in the Statements of Comprehensive Income.

In connection with past foreclosure and sale proceedings, AgriBank has retained certain mineral interests and equity positions in land from which we receive income from lease bonuses, rentals and leasing and production royalties. These intangible assets have no recorded value on the Statements of Condition. We receive income from mineral and royalty holdings. All income received on these mineral rights is recognized in the period received and is included in “Mineral income” on the Statements of Comprehensive Income. The Farm Credit Act requires that mineral rights acquired after 1985 through foreclosure be sold to the buyer of the surface rights in the land.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Expenses related to these plans are included in “Salaries and employee benefits” on the Statements of Comprehensive Income.

Certain employees participate in the defined benefit retirement plan of the District. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001 are on the cash balance formula or on the final average pay formula. New benefits-eligible employees hired between October 1, 2001 and December 31, 2006 are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The District plan utilizes the "Projected Unit Credit" actuarial method for financial reporting and funding purposes.

Certain employees also participate in the non-qualified defined benefit Pension Restoration Plan of the AgriBank District. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits.

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, Roth after-tax, post-tax, or both, with an employer match on a percentage of the employee’s contributions. We provide benefits under this plan for those employees that do not participate in the AgriBank District Retirement Plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees' active service period.

Income Taxes: We are exempt from federal and other income taxes as provided in the Farm Credit Act.

Patronage Program: We accrue patronage refunds when declared by AgriBank's Board of Directors (the Board). We accrue patronage refunds quarterly and pay the refunds in accordance with the declarations of the Board, generally within 15 days after each quarter-end for which the patronage was declared. Accrued patronage is included in "Accounts and other payables" on the Statements of Condition.

Preferred Stock Dividends: We accrue non-cumulative perpetual preferred stock dividends quarterly as declared by the Board. Dividends on non-cumulative perpetual preferred stock are payable quarterly in arrears on the first day of January, April, July and October. Accrued dividends are included in "Accounts and other payables" on the Statements of Condition.

Derivative Instruments and Hedging Activity: We are party to derivative financial instruments, primarily interest rate swaps, interest rate caps, interest rate floors, and from time to time, swaptions, all of which are used to manage interest rate risk on assets, liabilities and anticipated transactions. Derivatives are recorded on the Statements of Condition as assets or liabilities, measured at fair value and netted by counterparties pursuant to the provisions of master netting agreements.

Changes in the fair values of derivatives are recorded as gains or losses through earnings or as a component of other comprehensive income (loss), on the Statements of Comprehensive Income, depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. For fair value hedge transactions in which we are hedging changes in the fair value of an asset or liability, changes in the fair value of the derivative instrument are offset in net income on the Statements of Comprehensive Income by changes in the fair value of the hedged item. For cash flow hedge transactions hedging the variability of cash flows related to a variable-rate asset or liability, changes in the fair value of the derivative instrument are reported in other comprehensive income (loss) on the Statements of Comprehensive Income. To the extent the hedge is effective, the gains and losses on the derivative instruments are reported in other comprehensive income (loss), until earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges is recognized in current period earnings. For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current period earnings.

We document all relationships between hedging instruments and hedged items, as well as our risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value or cash flow hedges to:

- Specific assets or liabilities on the Statements of Condition
- Firm commitments
- Forecasted transactions

For hedging relationships, we assess effectiveness of the hedging relationships through prospective effectiveness tests at inception and retrospective tests on an ongoing basis until the maturity or termination of the hedge. For prospective testing, we perform a shock test of interest rate movements.

Alternative tests may be performed if those tests appear to be reasonable relative to the hedge relationship that is being evaluated. For retrospective testing, our procedure is to perform correlation and regression tests of the value change of the hedge versus the value change of the hedged item using weekly data. If the hedge relationship does not pass the minimum levels established for effectiveness tests, hedge accounting will be discontinued.

We discontinue hedge accounting prospectively when we determine that:

- A derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item
- The derivative expires or is sold, terminated, exercised or de-designated as a hedge
- It is no longer probable that the forecasted transaction will occur
- A hedged firm commitment no longer meets the definition of a firm commitment
- Management determines that designating the derivative as a hedging instrument is no longer appropriate

When we discontinue hedge accounting for cash flow hedges, any remaining accumulated other comprehensive income or loss is amortized into earnings over the remaining life of the original hedged item. When we discontinue hedge accounting for fair value hedges, changes in the fair value of the derivative will be recorded in current period earnings, and the basis adjustment to the previously hedged item will be taken into earnings using the interest method over the remaining life of the hedged item. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, we will carry the derivative at its fair value on the Statements of Condition, recognizing changes in fair value in current period earnings. Refer to further discussion in Note 13.

Off-Balance Sheet Credit Exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. Any reserve for unfunded lending commitments and unexercised letters of credit is based on management's best estimate of losses inherent in these instruments, but the commitments have not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given disbursement are utilized in determining a reserve, if needed. Based on management's assessment, any reserve is recorded in "Other liabilities" in the Statements of Condition and a corresponding loss is recorded in "Provision for credit losses" in the Statements of Comprehensive Income. However, no such reserve was necessary as of December 31, 2016, 2015, or 2014.

Statements of Cash Flows: For purposes of reporting cash flows, cash includes cash and overnight federal funds. Cash flows on hedges are classified in the same category as the items being hedged.

Fair Value Measurements: We utilize a hierarchy to disclose the fair value measurement of financial instruments. A financial instrument's categorization within the valuation hierarchy is based upon the least transparent input that is significant to the fair value measurement.

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices that are not current, or principal market information that is not released publicly
- Inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates
- Inputs derived principally from or corroborated by observable market data by correlation or other means

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect our own assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

We may use various acceptable valuation techniques to determine fair value. The primary techniques used include:

- Market Approach uses prices and other relevant information generated by market transactions involving identical or comparable assets to derive a fair value amount
- Income Approach uses various valuation methods to convert future cash flows to a single discounted present value, which becomes the applicable fair value amount
- Cost Approach is based on the current cost to acquire a substitute asset of comparable utility

For certain financial instruments presented at fair value, we use net asset value per share as a practical expedient. We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy and transfer between Level 1, Level 2 and Level 3 accordingly. Generally, transfers are reported as of the beginning of the quarter in which the transfer occurred.

Refer to Note 12 for further discussion on our fair value measurements.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business:

Standard	Description	Effective date and financial statement impact
In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-15 “Classification of Certain Cash Receipts and Cash Payments.”	The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing.	This guidance is effective for public entities for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the financial condition or results of operations, but could change the classification of certain items in the statement of cash flows.
In June 2016, the FASB issued ASU 2016-13 “Financial Instruments - Credit Losses."	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	The guidance is effective for non-U.S. Securities Exchange Commission filers for annual reporting periods beginning after December 15, 2020 including interim periods within those annual periods. Early adoption is permitted as of annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods. We are currently evaluating the impact of the guidance on the financial condition, results of operations, cash flows, and financial statement disclosures.

Standard	Description	Effective date and financial statement impact
In February 2016, the FASB issued ASU 2016-02 "Leases."	The guidance modifies the recognition and accounting for lessees and lessors and requires expanded disclosures regarding assumptions used to recognize revenue and expenses related to leases.	The guidance is effective for public entities for annual reporting periods beginning after December 15, 2018 including interim periods within that year. Early adoption is permitted and modified retrospective adoption is required. Based on our preliminary review and analysis, this new guidance will have an insignificant impact on our financial condition, results of operations, and financial statement disclosures, and will have no impact on cash flows.
In January 2016, the FASB issued ASU 2016-01 “Recognition and Measurement of Financial Assets and Financial Liabilities.”	The guidance is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendments address certain aspects of recognition, measurement, presentation, and disclosure in the financial statements.	The guidance is effective for public entities for annual reporting periods beginning after December 15, 2017 including interim periods within that year. Early adoption is permitted for only a portion of the guidance, but that guidance does not apply to the Financial Statements. We are currently evaluating the impact of the remaining guidance on the financial condition, results of operations, cash flows, and financial statement disclosures.
In May 2015, the FASB issued ASU 2015-07 "Disclosures of Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)."	The guidance removes the requirements to categorize assets valued using net asset value per share within the fair value hierarchy (Levels 1 - 3) as well as certain other disclosures.	The guidance was effective for public entities for interim and annual reporting periods beginning after December 15, 2015. We adopted this standard in 2016, and it had no impact on the financial condition, results of operations or cash flows. Our pension plan assets include certain investments which are valued using the Net Asset Value practical expedient provided for under this guidance. The adoption of this guidance had minimal impact on the fair value disclosures of District pension plan assets presented in Note 8.

Standard	Description	Effective date and financial statement impact
In February 2015, the FASB issued ASU 2015-02 “Consolidation-Amendments to the Consolidation Analysis.”	The guidance modifies the assessment of Variable Interest Entity (VIE) characteristics as well as the assessment of related parties.	The guidance is effective for public entities for annual periods beginning after December 15, 2015. Early adoption is allowed, including in any interim period. The adoption of this guidance had no impact on the financial condition, results of operations, cash flows or financial statement disclosures.
In August 2014, the FASB issued ASU 2014-15 “Presentation of Financial Statements-Going Concern.”	The guidance requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year after the date the Financial Statements are issued or within one year after the Financial Statements are available to be issued, when applicable. Substantial doubt to continue as a going concern exists if it is probable that the entity will be unable to meet its obligations for the assessed period.	This guidance became effective for all entities for interim and annual periods ending after December 15, 2016. We completed the initial assessment as of December 31, 2016. No matters were identified with regard to our ability to continue as a going concern in adopting this standard; therefore, there was no additional impact on the financial statement disclosures.
In May 2014, the FASB issued ASU 2014-09 “Revenue from Contracts with Customers."	The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of contracts within the District would be excluded from the scope of this new guidance.	The guidance is effective for public entities for the first interim reporting period within the annual reporting periods beginning after December 15, 2017. In March 2016, the FASB issued ASUs 2016-08 and 2016-10 which provided further clarifying guidance on the previously issued standard. We are in the process of reviewing contracts to determine the effect, if any, on the financial condition, results of operations or cash flows.

NOTE 3

Loans and Allowance for Loan Losses

Loans by Type

(in thousands) As of December 31,	2016		2015		2014	
	Amount	**%**	Amount	%	Amount	%
Wholesale loans	**$78,300,557**	**91.0%**	$74,697,131	90.1%	$69,523,491	89.6%
Retail loans:						
Real estate mortgage	**3,461,590**	**4.0%**	3,859,885	4.7%	3,985,435	5.1%
Production and intermediate-term	**3,629,121**	**4.2%**	3,441,472	4.2%	3,194,263	4.1%
Agribusiness	**65,228**	**0.1%**	96,709	0.1%	126,612	0.2%
Loans to other financing institutions (OFIs)	**577,505**	**0.7%**	685,083	0.8%	665,574	0.9%
Other	**44,401**	**0.0%**	39,372	0.1%	50,780	0.1%
Total retail loans	**7,777,845**	**9.0%**	8,122,521	9.9%	8,022,664	10.4%
Total loans	**$86,078,402**	**100.0%**	$82,819,652	100.0%	$77,546,155	100.0%

The other category is primarily comprised of energy-related, communication and rural residential real estate loans.

Participations

We may purchase participations from and sell participations to others, primarily District Associations. We had no purchases outside of the System as of December 31, 2016, 2015 or 2014. We did not have any participation interests sold as of December 31, 2016, 2015 or 2014.

Retail Loan Participations Purchased

(in thousands) **As of December 31,**	**2016**	2015	2014
Real estate mortgage	**$3,461,281**	$3,859,466	$3,984,667
Production and intermediate-term	**3,629,121**	3,441,472	3,194,263
Agribusiness	**65,228**	96,709	126,612
Other	**44,401**	39,372	50,780
Total loans	**$7,200,031**	$7,437,019	$7,356,322

Portfolio Diversification

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities or within close proximity, which could cause them to be similarly impacted by economic or other conditions.

A substantial portion of our loan portfolio consists of individual wholesale loans. Wholesale loans are comprised of 17 loans ranging in size from $42.6 million to $21.3 billion. At December 31, 2016, the two largest District Associations each represented 27.2 percent and 23.2 percent of wholesale loans and 24.7 percent and 21.1 percent of total loans. No other wholesale loan was greater than 10 percent of total loans. The loans of the 10 largest retail customers (excluding other financing institutions (OFIs)) at December 31, 2016 totaled $237.3 million, or 3.1 percent of our retail portfolio and 0.3 percent of our total portfolio.

The wholesale loans are used by District Associations to fund their loan portfolios, and, therefore, our distribution of credit risk in various commodities and geographic concentrations approximate that of the District as a whole. AgriBank District credit risk policies focus on loan repayment capacity in addition to conservative loan-to-value levels on the collateral that secures loans.

Portfolio Performance

One credit quality indicator we utilize is the FCA Uniform Loan Classification System, which categorizes loans into five categories. The categories are:

- Acceptable – assets are non-criticized assets representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default.
- Other Assets Especially Mentioned (Special Mention) – are currently collectible, but exhibit some potential weakness. These assets involve increased credit risk, but not to the point of justifying a substandard classification.
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan.
- Doubtful – assets exhibit similar weaknesses as substandard assets. However, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable.
- Loss – assets are considered uncollectible.

Credit Quality of Loans

(in thousands) As of December 31, 2016	Acceptable		Special Mention		Substandard/Doubtful		Total	
Wholesale loans	$78,639,626	100.0%	$ --	--	$ --	--	$78,639,626	100.0%
Retail loans:								
Real estate mortgage	3,301,768	94.4%	96,122	2.7%	100,736	2.9%	3,498,626	100.0%
Production and intermediate-term	3,489,268	95.7%	67,352	1.8%	90,139	2.5%	3,646,759	100.0%
Agribusiness	65,467	100.0%	--	--	--	--	65,467	100.0%
Loans to OFIs	579,652	100.0%	--	--	--	--	579,652	100.0%
Other	43,391	97.6%	245	0.6%	800	1.8%	44,436	100.0%
Total retail loans	7,479,546	95.5%	163,719	2.1%	191,675	2.4%	7,834,940	100.0%
Total loans	$86,119,172	99.6%	$163,719	0.2%	$191,675	0.2%	$86,474,566	100.0%

(in thousands) As of December 31, 2015	Acceptable		Special Mention		Substandard/Doubtful		Total	
Wholesale loans	$74,990,957	100.0%	$ --	--	$ --	--	$74,990,957	100.0%
Retail loans:								
Real estate mortgage	3,766,278	96.5%	56,983	1.5%	78,955	2.0%	3,902,216	100.0%
Production and intermediate-term	3,385,379	97.8%	24,837	0.7%	53,106	1.5%	3,463,322	100.0%
Agribusiness	89,568	92.3%	--	--	7,487	7.7%	97,055	100.0%
Loans to OFIs	686,841	100.0%	--	--	--	--	686,841	100.0%
Other	37,866	96.0%	400	1.0%	1,168	3.0%	39,434	100.0%
Total retail loans	7,965,932	97.3%	82,220	1.0%	140,716	1.7%	8,188,868	100.0%
Total loans	$82,956,889	99.7%	$82,220	0.1%	$140,716	0.2%	$83,179,825	100.0%

(in thousands) As of December 31, 2014	Acceptable		Special Mention		Substandard/Doubtful		Total	
Wholesale loans	$69,789,561	100.0%	$ --	--	$ --	--	$69,789,561	100.0%
Retail loans:								
Real estate mortgage	3,897,369	96.8%	53,682	1.3%	76,989	1.9%	4,028,040	100.0%
Production and intermediate-term	3,174,558	98.7%	17,508	0.5%	25,941	0.8%	3,218,007	100.0%
Agribusiness	112,329	88.4%	-	0.0%	14,750	11.6%	127,079	100.0%
Loans to OFIs	666,693	100.0%	--	--	--	--	666,693	100.0%
Other	49,185	96.7%	414	0.8%	1,246	2.5%	50,845	100.0%
Total retail loans	7,900,134	97.6%	71,604	0.9%	118,926	1.5%	8,090,664	100.0%
Total loans	$77,689,695	99.7%	$71,604	0.1%	$118,926	0.2%	$77,880,225	100.0%

Note: Accruing loans include accrued interest receivable.

We had no loans categorized as Loss at December 31, 2016, 2015 or 2014.

Aging Analysis of Loans

(in thousands) **As of December 31, 2016**	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less than 30 Days Past Due**	**Total Loans**	**Accruing Loans 90 Days or More Past Due**
Wholesale loans	**$ --**	**$ --**	**$ --**	**$78,639,626**	**$78,639,626**	**$ --**
Real estate mortgage	**10,132**	**7,015**	**17,147**	**3,481,479**	**3,498,626**	**156**
Production and intermediate-term	**22,678**	**9,024**	**31,702**	**3,615,057**	**3,646,759**	**222**
Agribusiness	**26**	**--**	**26**	**65,441**	**65,467**	**--**
Loans to OFIs	**--**	**--**	**--**	**579,652**	**579,652**	**--**
Other	**252**	**--**	**252**	**44,184**	**44,436**	**--**
Total loans	**$33,088**	**$16,039**	**$49,127**	**$86,425,439**	**$86,474,566**	**$378**

(in thousands) As of December 31, 2015	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Accruing Loans 90 Days or More Past Due
Wholesale loans	$ --	$ --	$ --	$74,990,957	$74,990,957	$ --
Real estate mortgage	14,203	8,585	22,788	3,879,428	3,902,216	932
Production and intermediate-term	31,391	3,785	35,176	3,428,146	3,463,322	308
Agribusiness	--	--	--	97,055	97,055	--
Loans to OFIs	--	--	--	686,841	686,841	--
Other	5,463	243	5,706	33,728	39,434	--
Total loans	$51,057	$12,613	$63,670	$83,116,155	$83,179,825	$1,240

(in thousands) As of December 31, 2014	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Accruing Loans 90 Days or More Past Due
Wholesale loans	$ --	$ --	$ --	$69,789,561	$69,789,561	$ --
Real estate mortgage	8,957	7,182	16,139	4,011,901	4,028,040	--
Production and intermediate-term	8,127	2,186	10,313	3,207,694	3,218,007	277
Agribusiness	--	--	--	127,079	127,079	--
Loans to OFIs	--	--	-	666,693	666,693	--
Other	413	222	635	50,210	50,845	--
Total loans	$17,497	$9,590	$27,087	$77,853,138	$77,880,225	$277

Note: Accruing loans include accrued interest receivable.

Risk Assets

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. Interest income recognized and cash payments received on nonaccrual risk loans are applied as described in Note 2.

Risk Loan Information

(in thousands)

As of December 31,	**2016**	2015	2014
Nonaccrual loans:			
Current as to principal and interest	**$32,622**	$27,739	$26,305
Past due	**21,229**	15,655	11,493
Total nonaccrual loans	**53,851**	43,394	37,798
Accruing restructured loans	**3,800**	4,429	17,210
Accruing loans 90 days or more past due	**378**	1,240	277
Total risk loans	**$58,029**	$49,063	$55,285
Volume with specific reserves	**$27,187**	$18,441	$12,218
Volume without specific reserves	**30,842**	30,622	43,067
Total risk loans	**$58,029**	$49,063	$55,285
Specific reserves	**$4,394**	$3,564	$2,122

For the year ended December 31,	**2016**	2015	2014
Income on accrual risk loans	**$216**	$220	$453
Income on nonaccrual loans	**4,127**	2,403	3,451
Total income on risk loans	**$4,343**	$2,623	$3,904
Average recorded risk loans	**$55,275**	$47,056	$56,635

Note: Accruing loans include accrued interest receivable.

Risk Assets by Loan Type

(in thousands) **As of December 31,**	**2016**	2015	2014
Nonaccrual loans:			
Real estate mortgage	**$24,637**	$27,006	$29,555
Production and intermediate-term	**28,890**	16,033	7,873
Other	**324**	355	370
Total nonaccrual loans	**$53,851**	$43,394	$37,798
Accruing restructured loans:			
Real estate mortgage	**$3,800**	$4,247	$17,196
Production and intermediate-term	**--**	182	14
Total accruing restructured loans	**$3,800**	$4,429	$17,210
Accruing loans 90 days or more past due:			
Real estate mortgage	**$156**	$932	$ --
Production and intermediate-term	**222**	308	277
Total accruing loans 90 days or more past due	**$378**	$1,240	$277
Total risk loans	**$58,029**	$49,063	$55,285
Other property owned	**349**	565	1,822
Total risk assets	**$58,378**	$49,628	$57,107

Note: Accruing loans include accrued interest receivable.

Due to the low level of risk assets, movement of a single loan or borrower impacts the volatility of risk assets year-over-year. Nonaccrual loans represented 0.1 percent of total loans at December 31, 2016, of which 60.6 percent were current as to principal and interest.

Our accounting policy requires loans past due 90 days to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, all accruing loans 90 days or more past due were eligible to remain in accruing status.

We had no wholesale loans classified as risk loans at December 31, 2016, 2015 or 2014.

All risk loans are considered to be impaired loans.

Additional Impaired Loan Information by Loan Type

(in thousands)	As of December 31, 2016 Recorded Investment *	Unpaid Principal Balance **	Related Allowance	For the year ended December 31, 2016 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$5,107	$6,249	$1,095	$5,544	$ --
Production and intermediate-term	22,039	22,508	3,277	16,913	--
Other	41	43	22	41	--
Total loans	$27,187	$28,800	$4,394	$22,498	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$23,487	$39,431	$ --	$22,450	$3,084
Production and intermediate-term	7,072	5,951	--	10,021	1,258
Other	283	514	--	306	1
Total loans	$30,842	$45,896	$ --	$32,777	$4,343
Total impaired loans:					
Real estate mortgage	$28,594	$45,680	$1,095	$27,994	$3,084
Production and intermediate-term	29,111	28,459	3,277	26,934	1,258
Other	324	557	22	347	1
Total loans	$58,029	$74,696	$4,394	$55,275	$4,343

(in thousands)	As of December 31, 2015 Recorded Investment*	Unpaid Principal Balance**	Related Allowance	For the year ended December 31, 2015 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$5,109	$5,641	$1,119	$5,101	$ --
Production and intermediate-term	13,111	13,542	2,357	11,668	--
Other	221	220	88	137	--
Total loans	$18,441	$19,403	$3,564	$16,906	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$27,076	$44,625	$ --	$27,030	$1,839
Production and intermediate-term	3,412	5,142	--	3,037	784
Other	134	379	--	83	--
Total loans	$30,622	$50,146	$ --	$30,150	$2,623
Total impaired loans:					
Real estate mortgage	$32,185	$50,266	$1,119	$32,131	$1,839
Production and intermediate-term	16,523	18,684	2,357	14,705	784
Other	355	599	88	220	--
Total loans	$49,063	$69,549	$3,564	$47,056	$2,623

(in thousands)	As of December 31, 2014 Recorded Investment*	Unpaid Principal Balance**	Related Allowance	For the year ended December 31, 2014 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$5,104	$5,529	$1,100	$5,486	$ --
Production and intermediate-term	6,892	7,071	1,022	5,080	--
Other	222	217	--	219	--
Total loans	$12,218	$12,817	$2,122	$10,785	$ --
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$41,647	$59,347	$ --	$44,765	$3,496
Production and intermediate-term	1,272	4,234	--	939	408
Other	148	379	--	146	--
Total loans	$43,067	$63,960	$ --	$45,850	$3,904
Total impaired loans:					
Real estate mortgage	$46,751	$64,876	$1,100	$50,251	$3,496
Production and intermediate-term	8,164	11,305	1,022	6,019	408
Other	370	596	--	365	--
Total loans	$55,285	$76,777	$2,122	$56,635	$3,904

* The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges and acquisition costs and may also reflect a previous direct write-down of the investment. The recorded investment may be less than the unpaid principal balance as payments on non-cash basis nonaccrual loans reduce the recorded investment.
** Unpaid principal balance represents the contractual principal balance of the loan.

We did not have any material commitments to lend additional money to borrowers whose loans were at risk at December 31, 2016.

Troubled Debt Restructurings

Included within our loans are troubled debt restructurings (TDRs). These loans have been modified by granting a concession in order to maximize the collection of amounts due when a borrower is experiencing financial difficulties. All risk loans, including TDRs, are analyzed within our allowance for loan losses.

Troubled Debt Restructuring Activity

(in thousands) **As of December 31, 2016**	**Pre-modification Outstanding Recorded Investment***	**Post-modification Outstanding Recorded Investment***
Real estate mortgage	**$495**	**$495**
Total loans	**$495**	**$495**

(in thousands) As of December 31, 2015	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Real estate mortgage	$800	$918
Production and intermediate-term	180	182
Total loans	$980	$1,100

(in thousands) As of December 31, 2014	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Real estate mortgage	$618	$652
Production and intermediate-term	14	14
Total loans	$632	$666

*Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring, and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment of the loan is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off.

The primary types of modification typically include forgiveness of interest, interest rate reduction below market or extension of maturity.

We had no TDRs that defaulted during the years ended December 31, 2016 and 2015. For the year ended December 31, 2014, there was one loan included in the production and intermediate-term sector, totaling $11 thousand, that had troubled debt restructurings that occurred in the previous 12 months and for which there was a subsequent default during the year.

TDRs Outstanding

(in thousands) **As of December 31,**	**2016**	2015	2014
Accrual Status			
Real estate mortgage	**$3,800**	$4,247	$17,196
Production and intermediate-term	**--**	182	14
Total TDRs in accrual status	**$3,800**	$4,429	$17,210
Nonaccrual Status			
Real estate mortgage	**$3,900**	$5,378	$5,604
Production and intermediate-term	**7**	11	--
Total TDRs in nonaccrual status	**$3,907**	$5,389	$5,604
Total TDRs	**$7,707**	$9,818	$22,814

We did not have any material commitments to lend additional money to borrowers whose loans have been modified in a TDR at December 31, 2016.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) **For the year ended December 31,**	**2016**	2015	2014
Balance at beginning of period	**$18,076**	$12,520	$10,100
Provision for loan losses	**6,500**	7,500	3,500
Charge-offs	**(4,368)**	(4,002)	(2,200)
Recoveries	**1,074**	2,058	1,120
Balance at end of period	**$21,282**	$18,076	$12,520

Our allowance for loan losses increased $3.2 million at December 31, 2016. Provision for loan losses in 2016, 2015 and 2014 reflect the credit quality of our retail loan portfolio. The net charge-offs in 2016, 2015 and 2014 were primarily related to various loans in the production and intermediate-term sector.

Changes in Allowance for Loan Losses and Year End Recorded Investments by Loan Type

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate-term	Agribusiness	Loans to OFIs	Other	Total
Allowance for loan losses:							
Balance at December 31, 2015	$ --	$1,928	$15,381	$269	$278	$220	$18,076
Provision for (reversal of) loan losses	--	600	6,140	(122)	(58)	(60)	6,500
Charge-offs	--	(881)	(3,430)	--	--	(57)	(4,368)
Recoveries	--	227	839	--	--	8	1,074
Balance at December 31, 2016	$ --	$1,874	$18,930	$147	$220	$111	21,282
At December 31, 2016:							
Ending balance: individually evaluated for impairment	$ --	$1,095	$3,277	$ --	$ --	$22	$4,394
Ending balance: collectively evaluated for impairment	$ --	$779	$15,653	$147	$220	$89	$16,888
Recorded investments in loans outstanding:							
Ending balance at December 31, 2016	$78,639,626	$3,498,626	$3,646,759	$65,467	$579,652	$44,436	$86,474,566
Ending balance: loans individually evaluated for impairment	$78,639,626	$28,594	$29,111	$ --	$ --	$324	$78,697,655
Ending balance: loans collectively evaluated for impairment	$ --	$3,470,032	$3,617,648	$65,467	$579,652	$44,112	$7,776,911

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate-term	Agribusiness	Loans to OFIs	Other	Total
Allowance for loan losses:							
Balance at December 31, 2014	$ --	$2,003	$9,710	$457	$235	$115	$12,520
(Reversal of) provision for loan losses	--	(51)	7,598	(188)	43	98	7,500
Charge-offs	--	(155)	(3,846)	--	--	(1)	(4,002)
Recoveries	--	131	1,919	--	--	8	2,058
Balance at December 31, 2015	$ --	$1,928	$15,381	$269	$278	$220	$18,076
At December 31, 2015:							
Ending balance: individually evaluated for impairment	$ --	$1,118	$2,358	$ --	$ --	$88	$3,564
Ending balance: collectively evaluated for impairment	$ --	$810	$13,023	$269	$278	$132	$14,512
Recorded investments in loans outstanding:							
Ending balance at December 31, 2015	$74,990,957	$3,902,216	$3,463,322	$97,055	$686,841	$39,434	$83,179,825
Ending balance: loans individually evaluated for impairment	$74,990,957	$32,185	$16,523	$ --	$ --	$355	$75,040,020
Ending balance: loans collectively evaluated for impairment	$ --	$3,870,031	$3,446,799	$97,055	$686,841	$39,079	$8,139,805

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate-term	Agribusiness	Loans to OFIs	Other	Total
Allowance for loan losses:							
Balance at December 31, 2013	$ --	$2,041	$7,181	$590	$220	$68	$10,100
(Reversal of) provision for loan losses	--	(217)	3,793	(133)	15	42	3,500
Charge-offs	--	(331)	(1,860)	--	--	(9)	(2,200)
Recoveries	--	510	596	--	--	14	1,120
Balance at December 31, 2014	$ --	$2,003	$9,710	$457	$235	$115	$12,520
At December 31, 2014:							
Ending balance: individually evaluated for impairment	$ --	$1,100	$1,022	$ --	$ --	$ --	$2,122
Ending balance: collectively evaluated for impairment	$ --	$903	$8,688	$457	$235	$115	$10,398
Recorded investments in loans outstanding:							
Ending balance at December 31, 2014	$69,789,561	$4,028,040	$3,218,007	$127,079	$666,693	$50,845	$77,880,225
Ending balance: loans individually evaluated for impairment	$69,789,561	$46,751	$8,164	$ --	$ --	$370	$69,844,846
Ending balance: loans collectively evaluated for impairment	$ --	$3,981,289	$3,209,843	$127,079	$666,693	$50,475	$8,035,379

Note: Accruing loans include accrued interest receivable.

NOTE 4

Investment Securities

All investment securities are classified as AFS.

Investment Securities

(in thousands) **As of December 31, 2016**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Mortgage-backed securities	**$5,607,671**	**$7,012**	**$58,924**	**$5,555,759**	**1.3%**
Commercial paper and other	**4,786,207**	**794**	**219**	**4,786,782**	**1.0%**
U.S. Treasury securities	**3,823,520**	**576**	**12,298**	**3,811,798**	**1.1%**
Asset-backed securities	**742,728**	**289**	**104**	**742,913**	**1.1%**
Total	**$14,960,126**	**$8,671**	**$71,545**	**$14,897,252**	**1.2%**

(in thousands) As of December 31, 2015	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$5,774,742	$15,807	$33,538	$5,757,011	1.1%
Commercial paper and other	4,914,613	213	441	4,914,385	0.5%
U.S. Treasury securities	2,822,368	129	7,240	2,815,257	1.1%
Asset-backed securities	771,602	6,036	1,408	776,230	0.8%
Total	$14,283,325	$22,185	$42,627	$14,262,883	0.9%

(in thousands) As of December 31, 2014	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	$5,403,078	$30,632	$19,173	$5,414,537	1.0%
Commercial paper and other	5,345,722	326	228	5,345,820	0.3%
U.S. Treasury securities	2,564,962	1,054	1,139	2,564,877	1.2%
Asset-backed securities	861,166	7,763	1,640	867,289	0.5%
U.S. Agencies	100,053	2,201	--	102,254	4.4%
Total	$14,274,981	$41,976	$22,180	$14,294,777	0.8%

Commercial paper and other is primarily corporate commercial paper, certificates of deposit and term federal funds.

As of December 31, 2016, 2015 and 2014, we had not pledged any investment securities or federal funds as collateral.

Contractual Maturities of Investment Securities

(in thousands) **As of December 31, 2016**	**Year of Maturity** **One Year or Less**	 **One to Five Years**	 **Five to Ten Years**	 **More Than Ten Years**	 **Total**
Mortgage-backed securities	**$71**	**$14,299**	**$117,930**	**$5,423,459**	**$5,555,759**
Commercial paper and other	**4,786,782**	**--**	**--**	**--**	**4,786,782**
U.S. Treasury securities	**1,358,750**	**2,453,048**	**--**	**--**	**3,811,798**
Asset-backed securities	**--**	**742,913**	**--**	**--**	**742,913**
Total	**$6,145,603**	**$3,210,260**	**$117,930**	**$5,423,459**	**$14,897,252**
Weighted average yield	**1.0%**	**1.2%**	**1.6%**	**1.3%**	**1.2%**

Expected maturities differ from contractual maturities because borrowers may have the right to prepay these obligations. The remaining expected average life is 0.6 years for asset-backed securities (ABS) and 3.6 years for mortgage-backed securities (MBS) at December 31, 2016.

A summary of the investment securities in an unrealized loss position presented by the length of time that the securities have been in a continuous unrealized loss position follows:

(in thousands) **As of December 31, 2016**	**Less than 12 months** **Fair Value**	 **Unrealized Losses**	**More than 12 months** **Fair Value**	 **Unrealized Losses**
Mortgage-backed securities	**$3,375,456**	**$39,175**	**$1,784,315**	**$19,749**
Commercial paper and other	**713,576**	**219**	**--**	**--**
U.S. Treasury securities	**2,955,305**	**12,298**	**--**	**--**
Asset-backed securities	**246,081**	**102**	**6,897**	**2**
Total	**$7,290,418**	**$51,794**	**$1,791,212**	**$19,751**

(in thousands) As of December 31, 2015	Less than 12 months Fair Value	 Unrealized Losses	More than 12 months Fair Value	 Unrealized Losses
Mortgage-backed securities	$3,484,228	$21,377	$693,595	$12,161
Commercial paper and other	2,461,453	441	--	--
U.S. Treasury securities	2,413,587	7,240	--	--
Asset-backed securities	709,820	1,254	59,641	154
Total	$9,069,088	$30,312	$753,236	$12,315

(in thousands) As of December 31, 2014	Less than 12 months Fair Value	 Unrealized Losses	More than 12 months Fair Value	 Unrealized Losses
Mortgage-backed securities	$1,667,257	$7,405	$711,946	$11,768
Commercial paper and other	1,240,551	228	--	--
U.S. Treasury securities	1,062,841	1,139	--	--
Asset-backed securities	805,207	618	24,114	1,022
Total	$4,775,856	$9,390	$736,060	$12,790

Additional Investment Security Information

(in thousands)

For the year ended December 31,	2016	2015	2014
Proceeds from sales	**$245,439**	$50,660	$138,816
Realized gross gains on sales	**11,009**	4,864	21,643
Realized gross losses on sales	**843**	2,258	1,675
Impairment losses	**--**	693	150

The proceeds from sales in 2016, 2015 and 2014 were related to the sales of short-term commercial paper, home-equity ABS and non-agency MBS investment securities. We utilize specific identification to determine the basis of the cost of securities sold. The 2016 sales included all remaining OTTI AFS securities.

We evaluate our investment securities for OTTI on a quarterly basis. We have determined no securities were in an OTTI loss position at December 31, 2016. Refer to Note 2 for additional information regarding fair value measurements and the accounting policy for assessing OTTI.

The following chart presents information about OTTI securities held in prior years.

OTTI AFS Investment Securities

(in thousands)

As of December 31,	2015	2014
Fair Value of OTTI Investment securities	$41,848	$68,166

For the year ended December 31,	2015	2014
Gross impairment charges on OTTI Investment securities	$748	$391
Non-credit component recognized in other comprehensive income	(55)	(241)
Net impairment charges on OTTI investment securities	$693	$150

OTTI AFS Investment Securities Sold

(in thousands)

For the year ended December 31,	2016	2015	2014
OTTI AFS investment securities sold	**$27,771**	$17,552	$101,490
Gains on sales of OTTI AFS investment securities, net	**10,559**	4,864	21,643
Total impairment previously recognized on OTTI AFS investment securities sold	**24,696**	12,633	84,431

The following represents the activity related to the credit-loss component for investment securities that have been written down for OTTI that has been recognized in earnings:

(in thousands) **For the year ended December 31,**	**2016**	2015	2014
Credit-loss component, beginning of year	**$25,160**	$42,062	$127,947
Additions:			
Initial credit impairment	**--**	73	--
Subsequent credit impairments	**--**	620	150
Reductions:			
Gains on securities sold	**(10,559)**	(4,864)	(21,643)
Incremental impairment previously recognized on securities sold	**(14,137)**	(7,769)	(62,788)
Increases in expected cash flows	**(464)**	(4,962)	(1,604)
Credit-loss component, end of year	**$ --**	$25,160	$42,062

NOTE 5

Bonds and Notes

The System obtains funds for its lending operations primarily from the sale of Systemwide Debt Securities issued by the System Banks through the Funding Corporation. Systemwide bonds and discount notes are joint and several obligations of the System Banks (refer to Note 10 for further discussion).

AgriBank's Participation in Systemwide Bonds and Notes

(in thousands) **As of December 31,**	**2016**	2015	2014
Systemwide obligations:			
Bonds	**$87,677,387**	$83,156,562	$81,167,190
Discount notes	**8,017,311**	9,192,397	6,283,953
Member investment bonds	**938,733**	1,055,292	1,101,568
Total	**$96,633,431**	$93,404,251	$88,552,711

Maturities and Weighted Average Interest Rate of Bonds and Notes

(in thousands)	**Systemwide Obligations**				**Member**			
As of December 31, 2016	**Bonds**		**Discount notes**		**investment bonds**		**Total**	
Year of maturity	**Amount**	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
2017	**$25,335,248**	**0.7%**	**$8,017,311**	**0.5%**	**$938,733**	**0.2%**	**$34,291,292**	**0.6%**
2018	**28,122,729**	**0.8%**	--	--	--	--	**28,122,729**	**0.8%**
2019	**8,185,091**	**1.1%**	--	--	--	--	**8,185,091**	**1.1%**
2020	**4,536,155**	**1.4%**	--	--	--	--	**4,536,155**	**1.4%**
2021	**3,670,000**	**1.6%**	--	--	--	--	**3,670,000**	**1.6%**
2022 and thereafter	**17,828,164**	**2.5%**	--	--	--	--	**17,828,164**	**2.5%**
Total	**$87,677,387**	**1.2%**	**$8,017,311**	**0.5%**	**$938,733**	**0.2%**	**$96,633,431**	**1.1%**

Discount notes are issued with maturities ranging from one to 365 days. The average maturity of discount notes at December 31, 2016 was 82 days.

Callable debt may be called on the first call date and generally is continuously callable thereafter.

Bonds and Notes with Call Options

(in millions) **As of December 31, 2016**	**Maturing Amount**	**Callable Amount**
Year of maturity / next call:		
2017	**$1,040.0**	**$30,459.1**
2018	**2,260.0**	**628.0**
2019	**4,260.0**	**875.0**
2020	**4,022.0**	**--**
2021	**3,221.0**	**20.0**
2022	**2,590.0**	**--**
2023	**2,760.0**	**--**
Thereafter	**11,829.1**	**--**
Total	**$31,982.1**	**$31,982.1**

Participation in Systemwide Debt Securities

Certain conditions must be met before System Banks can participate in the issuance of Systemwide Debt Securities. As one condition of participation, System Banks are required by the Farm Credit Act and FCA regulation to maintain specified eligible assets at least equal in value to the total amount of debt securities outstanding for which they are primarily liable. This requirement does not provide holders of Systemwide Debt Securities or bank bonds with a security interest in any assets of the System Banks. However, System Banks and the Funding Corporation have entered into a Market Access Agreement (MAA), which established criteria and procedures for the System Banks to provide certain information to the Funding Corporation and, under certain circumstances, for restricting or prohibiting an individual System Bank's participation in Systemwide debt issuances, thereby reducing other System Banks' exposure to statutory joint and several liability. At December 31, 2016, we were, and as of the date of this report remain, in compliance with the conditions of participation in the issuance of Systemwide Debt Securities.

Member Investment Bonds

Member investment bonds, specifically authorized by the Farm Credit Act, are an alternative source of funding in which we sell bonds directly to District members and employees. Member investment bonds issued by AgriBank are offered primarily through the Farm Cash Management program, which links a District Association members' revolving line of credit with an AgriBank investment bond to optimize the members' use of their funds. Member investment bonds are an unsecured obligation of AgriBank and are not insured or guaranteed by any other entity.

Insurance Fund

The Farm Credit Insurance Fund (Insurance Fund) is available to insure the timely payment of principal and interest on consolidated bonds and notes of System Banks to the extent net assets are available in the Insurance Fund. At December 31, 2016, the assets of the Insurance Fund were $4.5 billion; however, due to the other authorized uses of the Insurance Fund, there is no assurance that the amounts in the Insurance Fund will be sufficient to fund the timely payment of principal, or interest on, insured debt securities in the event of default by any System Bank having primary liability for repayment of the debt. Refer to Note 1 for further information about the Insurance Fund.

Short-term Borrowings

We use short-term borrowings as a source of funds.

Short-term Borrowings by Category

(in thousands)	**2016** Amount	**2016** Weighted average interest rate	2015 Amount	2015 Weighted average interest rate	2014 Amount	2014 Weighted average interest rate
Systemwide discount notes:						
Outstanding as of December 31	**$8,017,311**	**0.5%**	$9,192,397	0.2%	$6,283,953	0.1%
Average during year	**8,930,845**	**0.3%**	5,587,113	0.2%	4,070,914	0.1%
Maximum month-end balance during the year	**10,132,493**		9,192,397		6,283,953	
Systemwide bonds*:						
Outstanding as of December 31	**1,495,615**	**0.6%**	1,022,594	0.3%	1,118,129	0.2%
Average during year	**1,609,281**	**0.4%**	889,644	0.1%	1,758,707	0.3%
Maximum month-end balance during the year	**2,006,794**		1,142,594		2,390,619	

* Represents bonds issued with an original maturity of one year or less.

NOTE 6

Subordinated Notes

On July 15, 2016, we redeemed all $500 million of outstanding subordinated notes at par value, which were redeemable on any interest payment date at any time following FCA notification of certain changes to our regulatory capital requirements.

Subordinated notes outstanding as of December 31, 2015 and 2014 were $498.3 million and $497.9 million, respectively. The inclusion of subordinated notes in regulatory capital ratios was subject to certain limitations as defined by the FCA for the years ended December 31, 2015 and 2014. Refer to Note 7 for further discussion.

NOTE 7

Shareholders' Equity

Description of Equities

All shares and participation certificates are $5 par value, except the Series A Non-cumulative Perpetual Preferred Stock (Series A Preferred Stock), which is $100 par value.

(in whole numbers) **As of December 31**	Number of Shares **2016**	2015	2014
Series A Perpetual Preferred Stock	**2,500,000**	2,500,000	2,500,000
Class D Preferred Stock	**--**	37,193	256,629
Class P Common Stock	**431,161,320**	407,242,796	383,251,219
Series A Participation Certificates	**5,542,849**	5,340,551	5,302,371
Protected Series C Participation Certificates	**36,100**	48,100	48,100

Perpetual Preferred Stock
We have an authorized class of preferred stock that may be issued to investors in accordance with applicable rules of offering. This stock is non-voting and may bear dividends. There are 8 million shares authorized at $100 per share. During 2013, our Board approved the issuance of up to $400 million of preferred stock, for which we also received approval from District Associations, OFIs and the FCA.

We have $250 million of Series A Preferred Stock outstanding, representing 2.5 million shares at $100 per share par value, resulting in net proceeds of $246.1 million. The net proceeds reflect issuance costs from underwriting, auditor and attorney fees. This series may be held or transferred in blocks having an aggregate par value of $25 thousand to investors meeting the eligibility requirements and an investor must hold at least 250 shares. We used the net proceeds from the issuance for general corporate purposes. For regulatory capital purposes, our Series A Preferred Stock is included in permanent capital, total surplus and core surplus, subject to certain limitations as defined by the FCA.

Dividends on the Series A Preferred Stock, if declared by our Board in its sole discretion, are non-cumulative and are payable quarterly in arrears on the first day of January, April, July and October. Dividends accrue at a fixed annual rate of 6.875 percent from the date of issuance through December 31, 2023, and beginning January 1, 2024 will accrue at an annual rate equal to three-month United States Dollar LIBOR rate, reset quarterly, plus 4.225 percent.

The Series A Preferred Stock is not mandatorily redeemable at any time. However, the Series A Preferred Stock will be redeemable at par value plus accrued and unpaid dividends, in whole or in part, at our option, quarterly beginning January 1, 2024. In addition, the Series A Preferred Stock will be redeemable in whole, at our option, at any time upon the occurrence of certain defined regulatory events.

The Series A Preferred Stock is junior to any series of preferred stock we may issue in the future with priority rights. The Series A Preferred Stock is senior to our outstanding capital stock.

Member Stock
In accordance with the Farm Credit Act, eligible borrowers are required to purchase common stock in AgriBank as a condition of borrowing. District Associations fund member stock purchases through cash liquidity generated from capital and earnings. OFIs make cash purchases of Series A Participation Certificates as a condition of borrowing.

Member Stock is comprised of Class D Preferred Stock, Class F Common Stock, Class P Common Stock, Series A Participation Certificates, Series B Participation Certificates and Protected Series C Participation Certificates.

Class D Preferred Stock is available to be issued solely to District Associations based on allocated equities issued and as a conversion of Class P Common Stock that is in excess of the minimum amounts required under our capital plan. Class D Preferred Stock has no voting rights. All outstanding Class D Preferred Stock was converted to Class P common stock at December 31, 2016.

Class F Common Stock is available to be issued only to other System institutions. Class F Common Stock has no voting rights, and no stock of this kind was outstanding at December 31, 2016, 2015 or 2014.

Class P Common Stock is issued to District Associations in an amount not less than that required by our capital plan and as a conversion of Class D Preferred Stock in accordance with the capital plan. Class P Common Stock has voting rights as provided in our bylaws so long as the stock is held by an eligible holder. After a two-year period during which a holder of Class P Common Stock does not have a loan with us or is not a servicer of our loans, all such holder's Class P Common Stock will be converted to an equal number of units of Series B Participation Certificates.

Series A Participation Certificates are issued to those entities identified in the Farm Credit Act that meet certain requirements of the Act in connection with loans made after October 5, 1988, in an amount required by our capital plan. Series A Participation Certificates have no voting rights.

Series B Participation Certificates are issued to District Associations and direct borrowers. Series B Participation Certificates have no voting rights, and no stock of this kind was outstanding at December 31, 2016, 2015 or 2014.

Protected Series C Participation Certificates are issued to entities identified in the Farm Credit Act that meet certain requirements of the Act in existence before the close of business on October 5, 1988. Refer to discussion under Protection Mechanisms. Protected Series C Participation Certificates have no voting rights. Protected Series C Participation Certificates of $181 thousand as of December 31, 2016, and $241 thousand as of December 31, 2015 and 2014 are included in Capital Stock and Participation Certificates on the Statements of Changes in Shareholders' Equity.

All Member Stock shall have such rights, designations and restrictions as provided in our bylaws. No fractional shares of such stock or participation certificates, or cash in lieu of fractional shares, shall be issued or paid. All Member Stock is transferable to any eligible holder of such equities. If at any time we are out of compliance with minimum permanent capital adequacy standards as determined by the FCA, all Member Stock required to be purchased as a condition for obtaining a loan must be purchased from us.

Protected Series C Participation Certificates must be retired and paid at par value in accordance with FCA regulations as they relate to the retirement of stock protected by the provisions of the Farm Credit Act. The Board is authorized, but not required, to make retirements of all other Member Stock on a case-by-case basis when requested by a holder of such equities without regard to the holder's total investment in us relative to the other holders of our equities. Such other Member Stock shall be retired at book value not to exceed par or face value and cannot be retired while we are not in compliance with capital adequacy standards as determined by the FCA, or if such retirement would cause us to be out of compliance with capital adequacy standards and may be retired only at the discretion of the Board.

All Member Stock is subject to a statutory first lien in favor of us to secure any indebtedness of the holder of such capital investments to us.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed in the following order of priority:

- First, ratably to the holders of Series A Preferred Stock
- Second, to the holders of Class P and F Common Stock, Class D Preferred Stock and Series A, B and C Participation Certificates

- Third, to the holders of allocated surplus, pro rata, until an amount equal to the aggregate book value not to exceed face value has been distributed

In the event of impairment, losses will be absorbed pro rata by all classes of common stock and participation certificates then by preferred stock; however, protected stock will be retired at par value regardless of impairment.

Capitalization Requirements

In accordance with the Farm Credit Act, and our capitalization bylaws, we are authorized to issue Series A Preferred Stock, Class D Preferred Stock, Classes F and P Common Stock, Series A, B and C Participation Certificates and such other classes of equity in such amounts as may be necessary to conduct our business.

As a condition of borrowing, District Associations and OFIs are required to maintain an investment in AgriBank. Our bylaws authorize us to require an investment of up to 4 percent of the borrower's line of credit with us upon Board approval. As of December 31, 2016, District Associations were required to hold Class P Common Stock equal to 2.25 percent of the quarterly average wholesale loan balance plus an additional 1 percent on growth that exceeded a targeted rate. OFIs were required to hold Series A Participation Certificates equal to 2.25 percent of their quarter-end loan commitment plus an additional 1 percent on increases in their commitments that exceeded a targeted rate. District Associations who sold us Asset Pool program loan participations are required to hold additional Class P Common Stock equal to 8 percent of the quarter-end Asset Pool program participation loan balance. AgDirect LLP, the limited liability partnership that is involved in the AgDirect retail equipment financing program, is required to purchase an investment in Class P Common Stock equal to 6 percent of the AgDirect program participation projected loan balance at quarter-end plus 6 percent of the expected balance.

In December 2016, our Board approved the 2017 capital plan, which amended the required stock investments for District Associations and OFIs, effective January 1, 2017. The new required investment will be the lesser of 4 percent or a multiple component calculation based on a percentage of average wholesale loan balances (District Associations) and loan commitments (OFIs) with a higher percentage on balances above a sustainable growth rate and includes a component for additional investments under the Asset Pool program. The 2017 component requirements are currently 2.25 percent on average loan balances/commitments, with an additional 4.5 percent on growth above a 5.5 percent sustainable growth rate and an 8 percent investment under the Asset Pool program. The required investment for AgDirect and any outstanding agreements for reduced required investments remain unchanged with the 2017 capital plan. Our capital plan is updated at least annually and is subject to change at the discretion of our Board.

We may require an originator, as a condition of our purchase of a participation interest in a loan, to hold stock or participation certificates in an amount up to 7 percent of the amount of the participation interest as of the date purchased.

Beginning in 2014, certain District Associations entered into contractual agreements with AgriBank whereby their required investments in AgriBank were reduced by a total of up to $66.2 million. Effective December 31, 2016, the contractual agreement between one District Association and AgriBank was cancelled, changing the reduction in required investment in AgriBank to a total of up to $26.2 million. In

return for having a lower required investment, these District Associations agreed to pay an additional spread on a portion of their wholesale loan equal to the reduction in their required investment. The additional spread compensates us for the cost of third-party capital, including issuance costs.

Protection Mechanisms

Protection of certain borrower capital is provided under the Farm Credit Act, which requires us to retire protected capital at par or stated value regardless of its book value when retiring protected borrower capital. Series C Participation Certificates are protected capital. Stock and participation certificates issued after October 5, 1988 are not subject to these protection provisions. If we are unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

Regulatory Capitalization Requirements and Restrictions

FCA regulations require us to maintain certain minimum capital ratios. We are prohibited from reducing capital by retiring stock or making certain other distributions to shareholders unless prescribed capital standards are met. No such prohibitions were in effect as of December 31, 2016, and we do not foresee any events that would result in this prohibition during 2017.

AgriBank Regulatory Capital Requirements and Ratios

As of December 31,	Regulatory Minimums	2016	2015	2014
Permanent capital ratio	7.0%	**20.6%**	20.8%	20.8%
Total surplus ratio	7.0%	**17.2%**	17.9%	18.1%
Core surplus ratio	3.5%	**12.6%**	12.1%	11.8%
Net collateral ratio*	103.0%	**105.5%**	105.8%	105.9%

* FCA requires us to maintain a higher minimum of 104.0% during any period in which we have subordinated notes outstanding. Concurrent with the redemption of our subordinated notes on July 15, 2016 FCA's regulatory minimum requirement reverted to 103.0%.

These ratios are calculated in accordance with FCA regulations and are discussed below:

- Permanent capital ratio is the quarterly average permanent capital (generally shareholders' equity and subordinated notes subject to certain limitations, excluding accumulated other comprehensive (loss) income and other deductions) as a percentage of quarterly average risk-adjusted assets
- Total surplus ratio is the quarterly average total surplus (permanent capital less purchased stock) as a percentage of quarterly average risk-adjusted assets
- Core surplus ratio is the quarterly average core surplus (generally unallocated surplus and perpetual preferred stock subject to certain limitations) as a percentage of quarterly average risk-adjusted assets
- Net collateral ratio is the net collateral (generally net loans and investments) less an amount equal to that portion of the allocated investments of District Associations that is not counted as permanent capital by AgriBank, divided by total liabilities as adjusted to exclude subordinated notes (subject to certain limitations) and the fair value adjustment impact of certain derivatives

Risk-adjusted assets have been defined by FCA regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets.

The inclusion of Series A Preferred Stock in regulatory capital ratios is subject to certain limitations as defined by the FCA. For 2016, the limit to be counted as core surplus is equal to the greater of the then-existing limit or one-third of the average of the four quarters of core surplus outstanding for the previous year. For 2016, the Series A Preferred Stock was not subject to any limitations.

On July 15, 2016, we redeemed all $500 million of outstanding subordinated notes at par value, which were redeemable on any interest payment date at any time following FCA notification of certain changes to our regulatory capital requirements. The inclusion of subordinated notes in regulatory capital ratios as of December 31, 2015 and 2014 was subject to certain limitations as defined by the FCA. The amount of subordinated notes eligible to be counted as permanent capital and total surplus may not exceed 50 percent of core surplus, and beginning in July 2014, was reduced by 20 percent of the original amount at the beginning of each of the last five years of the term of the notes.

The amount of third-party capital instruments, including preferred stock and subordinated notes, that may be counted in total surplus must not exceed the lower of 40 percent of permanent capital outstanding or 100 percent of core surplus outstanding, whichever is less. Third-party capital instruments that are not included in permanent capital and total surplus due to these limitations are required to be included as liabilities for the purpose of calculating the net collateral ratio.

FCA regulations require Associations and System Banks to agree upon a plan for allocating the Associations' investments in System Banks for calculation of all regulatory capital ratios effective prior to January 1, 2017 and the permanent capital ratio in 2017 and beyond. For the calculation of regulatory capital ratios at December 31, 2016, our agreement with District Associations is, generally, each District Association would count in its ratios any excess allocated investment over that required by AgriBank unless there is a specific agreement to count the investment differently. For new regulatory ratios effective January 1, 2017 (excluding the permanent capital ratio), there are no allotment agreements; the capital will be counted by the institution where the capital stock resides.

On March 10, 2016, the FCA Board approved a final rule to modify the regulatory capital requirements for System Banks and Associations. The final rule replaces existing core surplus and total surplus ratios with common equity tier 1, tier 1 and total capital risk-based capital ratios. The final rule also replaces the existing net collateral ratio with tier 1 leverage and unallocated retained earnings equivalents ratios (UREE). The permanent capital ratio continues to remain in effect with the final rule. The new capital requirements became effective January 1, 2017.

FCA Revised Capital Requirements

	Regulatory Minimums	Capital Conservation Buffer	Total
Risk adjusted:			
Common equity tier 1 capital ratio	4.5%	2.5%*	7.0%
Tier 1 capital ratio	6.0%	2.5%*	8.5%
Total capital ratio	8.0%	2.5%*	10.5%
Non-risk adjusted:			
Tier 1 leverage ratio	4.0%	1.0%	5.0%
UREE leverage ratio	1.5%	0.0%	1.5%

*The 2.5% capital conservation buffer over risk-adjusted ratio minimums will be phased in over 3 years under the FCA revised capital requirements.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

Patronage Distributions and Dividends

Payment of discretionary patronage and/or dividends is allowed under our bylaws if the distribution is in accordance with applicable laws and regulations, including the FCA capital adequacy regulations. Patronage distributions totaled $332.1 million, $284.0 million and $337.6 million for the years ended December 31, 2016, 2015 and 2014, respectively.

We declared $17.2 million of non-cumulative perpetual preferred stock dividends during each year 2016, 2015 and 2014. Dividends on non-cumulative perpetual preferred stock are payable quarterly on the first day of January, April, July and October.

In the event preferred stock dividends for the current dividend period have not been declared, we may not declare or pay any dividends, patronage refunds or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of our capital stock (including borrower stock, participation certificates and preferred stock), other than exercising our statutory lien under the Farm Credit Act, which allows us to apply member stock and/or participation certificates to reduce the aggregate principal amount of outstanding loans to District Associations. Dividends have been declared as scheduled since issuing preferred stock.

NOTE 8

Employee Benefit Plans

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or Boards of Director members) from the participating organizations. The Coordinating Committee (a subset of the Plan Sponsor Committee comprised of AgriBank District representatives) is responsible for decisions regarding retirement benefits at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

The funded status of the post-employment benefit plans is recorded at the District-level only. Additional District-level financial information for these plans may be found in the "District-Level Pension and Post-Employment Benefit Plans Disclosures" section of this footnote.

Pension Benefit Plans

Pension Plan: Certain employees participate in the AgriBank District Retirement Plan, a District-wide defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This Plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

AgriBank District Retirement Plan Information

(in thousands)

As of December 31,	**2016**	2015	2014
Unfunded liability	**$374,304**	$453,825	$423,881
Projected benefit obligation	**1,269,625**	1,255,259	1,234,960
Fair value of plan assets	**895,321**	801,434	811,079
Accumulated benefit obligation	**1,096,912**	1,064,133	1,051,801
For the year ended December 31,	**2016**	2015	2014
Total plan expense	**$53,139**	$63,787	$45,827
Our allocated share of plan expenses	**4,689**	5,873	4,088
Contributions by participating employers	**90,000**	62,722	52,032
Our allocated share of contributions	**8,671**	6,163	4,799

The unfunded liability reflects the net of the fair value of the plan assets and the projected benefit obligation as of December 31. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Benefits paid to participants in the District were $56.4 million in 2016. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plans during 2017 is $90 million. Our allocated share of these pension contributions is expected to be $8.7 million. The amount ultimately to be contributed and the amount ultimately recognized as expense, as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District Financial Statements.

Pension Restoration Plan: We also participate in the District-wide nonqualified defined benefit Pension Restoration Plan. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits.

Pension Restoration Plan Information

(in thousands)

As of December 31,	**2016**	2015	2014
Unfunded liability	**$28,514**	$31,650	$27,695
Projected benefit obligation	**28,514**	31,650	27,695
Accumulated benefit obligation	**22,778**	26,323	22,959
For the year ended December 31,	**2016**	2015	2014
Total plan expense	**$5,769**	$3,776	$3,652
Our allocated share of plan expenses	**446**	524	266
Our cash contributions	**494**	411	411

The Pension Restoration Plan is funded as the benefits are paid; therefore, there are no assets in the plan, and the unfunded liability is equal to the projected benefit obligation. The amount of the pension benefits funding status is subject to many variables, including interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their participants in the plan. The Pension Restoration Plan is unfunded, and we make annual contributions to fund benefits paid to our retirees covered by the plan. Our cash contributions were equal to the benefits paid. There was $28 thousand of benefits paid under the Pension Restoration Plan to senior officers who were actively employed during the year.

Other Post-Employment Benefit Plans

Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee’s active status. Post-employment benefit costs were

$649 thousand, $1.6 million and $817 thousand for 2016, 2015 and 2014, respectively. Our allocated share of plan expenses included in “Salaries and employee benefits” on the Statements of Comprehensive Income was income of $119 thousand, $303 thousand and $215 thousand for 2016, 2015 and 2014, respectively, reflecting income related to amortization of actuarial gains in excess of current service costs and interest. Postretirement benefit costs are included in “Salaries and employee benefits” in the Statements of Comprehensive Income. Cash contributions were equal to the benefits paid.

Defined Contribution Plans

We participate in a District-wide defined contribution retirement savings plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0 percent and 50 cents on the dollar on the next 4.0 percent on both pre-tax and post-tax contributions. The maximum employer match is 4.0 percent. For employees hired after December 31, 2006, we contribute 3.0 percent of the employee’s compensation and will match employee contributions dollar for dollar up to a maximum of 6.0 percent on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0 percent.

We also participate in a District-wide Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, be either a chief executive officer or president of a participating employer or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan, the employee may defer a portion of his/her salary, bonus and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations.

Our contribution expenses for the retirement savings plans, included in “Salaries and employee benefits” on the Statements of Comprehensive Income, were $1.3 million, $1.2 million and $1.2 million in 2016, 2015 and 2014, respectively. These expenses were equal to our cash contributions for each year.

Additionally, we participate in the Pre-409A Frozen Nonqualified Deferred Compensation Plan. This plan serves the same purpose as the Nonqualified Deferred Compensation Plan. However, the plan was frozen effective January 1, 2007. As such, no additional participants are eligible to enter the plan and no additional employer contributions will be made to the plan.

District Level Pension and Post-Employment Benefit Plans Disclosures

All District employers, with the exception of one District Association, participate in the defined benefit pension plan. Certain District employers also participate in the nonqualified retirement plan. Additionally, District employers provide certain health insurance benefits to eligible retired employees in the District. The current measurement date is December 31 for the defined benefit and other post-employment benefit plans.

District Obligations and Funded Status

(in thousands)	Pension Benefits			Other Benefits		
As of December 31,	**2016**	2015	2014	**2016**	2015	2014
Change in benefit obligation						
Benefit obligation at beginning of year	**$1,286,909**	$1,262,655	$1,039,912	**$30,479**	$35,051	$30,126
Service cost	**30,606**	30,085	26,452	**452**	559	490
Interest cost	**46,335**	50,594	50,226	**1,083**	1,392	1,434
Plan amendments	**(27,632)**	430	--	**--**	--	--
Actuarial loss (gain)	**25,508**	1,396	190,157	**(902)**	(5,120)	4,476
Benefits paid	**(63,587)**	(58,251)	(44,092)	**(1,415)**	(1,403)	(1,475)
Benefit obligation at end of year	**$1,298,139**	$1,286,909	$1,262,655	**$29,697**	$30,479	$35,051
Change in plan assets						
Fair value of plan assets at beginning of year	**$801,434**	$811,079	$759,462	**$ --**	$ --	$ --
Actual return on plan assets	**60,332**	(16,193)	42,196	**--**	--	--
Employer contributions	**97,142**	64,799	53,513	**1,415**	1,403	1,475
Benefits, premiums and expenses paid	**(63,587)**	(58,251)	(44,092)	**(1,415)**	(1,403)	(1,475)
Fair value of plan assets at end of year	**$895,321**	$801,434	$811,079	**$ --**	$ --	$ --
Unfunded liability	**$(402,818)**	$(485,475)	$(451,576)	**$(29,697)**	$(30,479)	$(35,051)
Accumulated benefit obligation	**$1,119,690**	$1,090,457	$1,074,760	**n/a**	n/a	n/a

(in thousands)	Pension Benefits			Other Benefits		
As of December 31,	**2016**	2015	2014	**2016**	2015	2014
Amounts recognized in the District Statements of Condition consist of:						
Pension liabilities	**$402,818**	$485,475	$451,576	**$29,697**	$30,479	$35,051
Net amount recognized	**$(402,818)**	$(485,475)	$(451,576)	**$(29,697)**	$(30,479)	$(35,051)
Amounts recognized in accumulated other comprehensive income consist of:						
Net loss (gain)	**$523,798**	$541,704	$512,276	**$(7,203)**	$(6,744)	$(1,673)
Prior service credit	**(29,410)**	(2,898)	(4,592)	**(384)**	(828)	(1,289)
Total recognized in other comprehensive loss (income)	**$494,388**	$538,806	$507,684	**$(7,587)**	$(7,572)	$(2,962)
Weighted-average assumptions used to determine benefit obligations						
Discount rate	**4.25%**	4.51%	4.10%	**4.25%**	4.51%	4.10%
Rate of compensation increase	**5.25%**	5.25%	4.50%	**n/a**	n/a	n/a

During 2016, the pension plan was amended to change the discount rate basis for a certain distribution option utilizing a graduated increase from treasury rates to corporate bond rates. The plan amendment resulted in a reduction of the plan benefit obligation.

Components of District Net Periodic Benefit Cost

(in thousands)	Pension Benefits			Other Benefits		
For the year ended December 31,	**2016**	2015	2014	**2016**	2015	2014
Net periodic benefit cost						
Service cost	**$30,606**	$30,085	$26,452	**$452**	$559	$490
Interest cost	**46,335**	50,594	50,226	**1,083**	1,392	1,434
Expected return on plan assets	**(59,335)**	(55,632)	(55,381)	**--**	--	--
Amortization of prior service credit	**(1,119)**	(1,264)	(1,267)	**(444)**	(461)	(720)
Amortization of net loss (gain)	**40,087**	43,780	29,449	**(442)**	(21)	(352)
Settlements	**2,330**	--	--	**--**	--	--
Net periodic benefit cost	**$58,904**	$67,563	$49,479	**$649**	$1,469	$852
Other changes in plan assets and benefit obligations recognized in other comprehensive income						
Net loss (gain)	**$24,511**	$73,208	$203,342	**$(901)**	$(5,092)	$4,470
Prior service cost	**(27,631)**	430	--	**--**	--	--
Amortization of prior service credit	**1,119**	1,264	1,267	**444**	461	720
Amortization of net (loss) gain	**(42,417)**	(43,780)	(29,449)	**442**	21	352
Total recognized in other comprehensive income	**$(44,418)**	$31,122	$175,160	**$(15)**	$(4,610)	$5,542
Total recognized in net periodic benefit cost and other comprehensive income	**$14,486**	$98,685	$224,639	**$634**	($3,141)	$6,394
Weighted-average assumptions used to determine net costs						
Discount rate:						
Spot yield curve	**n/a**	4.10%	4.95%	**n/a**	4.10%	4.95%
Projected benefit obligation	**4.51%**	n/a	n/a	**4.49%**	n/a	n/a
Service cost	**4.67%**	n/a	n/a	**4.84%**	n/a	n/a
Interest cost	**3.73%**	n/a	n/a	**3.67%**	n/a	n/a
Expected return on plan assets	**7.25%**	7.25%	8.00%	**n/a**	n/a	n/a
Rate of compensation increase	**5.25%**	4.50%	4.50%	**n/a**	n/a	n/a

The estimated net loss and prior service credit for the Pension Benefits plans that will be amortized from District accumulated other comprehensive income into net periodic benefit cost over the next year is an expense of $35.3 million. The estimated net gain and prior service credit for the Other Benefits plans that will be amortized from District accumulated other comprehensive income into net periodic benefit cost over the next year is income of $920 thousand.

Assumptions

We measure benefit obligations and net periodic benefit cost using assumptions designed to reflect future economic conditions. The most significant assumptions used in calculating the benefit obligations are discount rates, mortality rates and compensation rate increases. In addition to these assumptions, expected return on plan assets is also a significant driver in the measurement of net periodic benefit cost.

Beginning in 2016, the discount rates used to estimate service and interest components of net period benefit cost are calculated using a full yield curve method developed by an independent actuary. The approach maps a high-quality bond yield curve to the duration of the plans' liabilities, thus approximating each cash flow of the liability stream to be discounted at an interest rate specifically applicable to its respective period in time. Previously, a single weighted-average discount rate was used to estimate the service and interest components of net periodic benefit cost.

In 2016, the Plan Sponsor Committee approved to update the mortality improvement assumptions when new tables are issued by the Society of Actuaries. The adoption of the most recent tables did not have a significant impact to the projected benefit obligation as of December 31, 2016.

Periodically, our independent actuaries perform an assumption study based on actual plan participants' results over the past three years. Assumptions in this study include, but are not limited to: rates of termination, retirement age, and benefit form elected. The most recent study was completed in 2015.

The expected long-term rate of return assumption is determined by the Coordinating Committee with input from the Trust Committee. Historical return information is used to establish a best-estimate range for each asset class in which the plans are invested. The most appropriate rate is selected from the best-estimate range, taking into consideration the duration of plan benefit liabilities and Coordinating Committee investment policies. Generally, a lower rate of return assumption correlates to an increase in the net periodic benefit cost.

For measurement purposes, a 7.75 percent rate of increase in the per capita cost of covered health care benefits is assumed for 2017. The rate is assumed to decrease gradually to 5.0 percent by the year 2023 and remain at that level thereafter.

Assumed health care cost trend rates effect the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have minimal effect for the District.

Estimated Future Contributions and Benefit Payments

The amount of total District employer contributions expected to be paid into the plans during 2017 is $93.0 million for Pension Benefits and $1.5 million for Other Benefits.

The following benefit payments are expected to be paid by the District plans and reflect expected future service, as appropriate:

(in thousands) **As of December 31, 2016**	**Pension Benefits**	**Other Benefits**
Year:		
2017	**$65,090**	**$1,599**
2018	**70,510**	**1,719**
2019	**74,460**	**1,809**
2020	**78,360**	**1,883**
2021	**87,590**	**1,941**
2022 to 2026	**458,750**	**9,968**

Plan Assets

The overall objective of the investment policy is intended to meet the benefit obligations for the plan beneficiaries and to earn a long-term rate of return consistent with the related cash flow profile of the underlying benefit obligations.

The policy uses a risk management strategy designed to reduce investment risks as the funded status improves. To implement the policy, the plan has adopted a diversified set of portfolio management strategies to optimize the risk reward profile of the plan. Plan assets are divided into two primary component portfolios:

- A return-seeking portfolio that is invested in a diversified set of assets designed to deliver performance in excess of the underlying liability growth rate coupled with diversification controls regarding the level of risk. Equity exposures are expected to be the primary drivers of excess returns, but also introduce the greatest level of volatility of returns. Accordingly, the return-seeking portfolio contains additional asset classes that are intended to diversify equity risk as well as contribute to excess return.

  The largest subset contains U.S. equities including securities that are both actively and passively managed to their benchmarks across a full spectrum of capitalization and styles. Non-U.S. equities contain securities in both passively and actively managed strategies. Currency futures and forward contracts may be held for the sole purpose of hedging existing currency risk in the portfolio. Other investments that serve as equity diversifiers include:
  - High yield bonds: fixed income portfolio of securities below investment grade including up to 30 percent of the portfolio in non-U.S. issuers,
  - Global real estate: portfolio of diversified real estate investment trusts and private direct real estate and
  - Hedge fund of funds.

  These portfolios combine income generation and capital appreciation opportunities from developed markets globally. Other investment strategies may be employed to gain certain market exposures, reduce portfolio risk and to further diversify portfolio assets.

- A liability hedging portfolio that is primarily invested in intermediate-term and long-term investment grade corporate bonds in actively managed strategies that are intended to hedge interest rate risk. The portfolio will progressively increase in size as the plan’s funded ratio improves. The use of selected portfolio strategies incorporating derivatives may be employed to improve the liability hedging characteristics or reduce risk. Finally, there is a managed liquidity portfolio that is comprised of short-term assets intended to pay periodic plan benefits and expenses.

Portfolios are measured and monitored daily to ensure compliance with the investment policy. Tactical tilts will be employed based on medium term views and capital market assumptions, but will remain within stated policy ranges. For 2017, the asset allocation policy of the pension plan provides a target of 75 percent of assets in return seeking investments and 25 percent of assets in liability hedging investments. Specifically, return seeking investments include: global equity securities, global real estate

investment trust securities, hedge funds, and high yield bonds; and liability hedging investments include high quality credit debt securities.

In 2016 we adopted ASU 2015-07 "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share," which required retroactive reclassification of investments for which fair value is measured using the net asset value per share practical expedient, consistent with current year presentation. These assets are no longer required to be categorized within the fair value hierarchy.

Fair Value of District Pension Plan Assets

(in thousands)	**Fair Value Measurements**			
As of December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Cash and cash equivalents	**$60,424**	**$ --**	**$ --**	**$60,424**
Mutual funds:				
International funds	**--**	**236,938**	**--**	**236,938**
Fixed income funds	**--**	**187,105**	**--**	**187,105**
Domestic funds	**--**	**143,933**	**--**	**143,933**
Bond funds	**--**	**96,503**	**--**	**96,503**
Real estate equity funds	**--**	**20,246**	**--**	**20,246**
Investment insurance contracts	**--**	**--**	**5,917**	**5,917**
Total	**$60,424**	**$684,725**	**$5,917**	**$751,066**
Investments measured at net asset value*				**144,255**
Total assets at fair value				**$895,321**

(in thousands)	Fair Value Measurements			
December 31, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$25,347	$ --	$ --	$25,347
Mutual funds:				
International funds	--	221,260	--	221,260
Domestic funds	--	127,944	--	127,944
Fixed income funds	--	176,130	--	176,130
Bond funds	--	88,191	--	88,191
Real estate equity funds	--	19,580	--	19,580
Investment insurance contracts	--	--	6,303	6,303
Total	$25,347	$633,105	$6,303	$664,755
Investments measured at net asset value*				136,679
Total assets at fair value				$801,434

(in thousands)	Fair Value Measurements			
December 31, 2014	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$15,210	$ --	$ --	$15,210
Mutual funds:				
Domestic funds	--	196,641	--	196,641
Bond funds	--	182,369	--	182,369
International funds	--	168,946	--	168,946
Bond funds	--	88,589	--	88,589
Real estate equity funds	--	23,319	--	23,319
Investment insurance contracts	--	--	6,736	6,736
Total	$15,210	$659,864	$6,736	$681,810
Investments measured at net asset value*				129,269
				$811,079

*Certain investments that are measured at fair value using the net asset value per share as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the net assets in the pension plans.

Fair Value Measurements using Level 3 Investment Insurance Contracts	
Balance at December 31, 2013	$7,236
Actual return on plan assets:	
Still held at the reporting date	115
Sales	(615)
Balance at December 31, 2014	$6,736
Actual return on plan assets:	
Still held at the reporting date	106
Sales	(539)
Balance at December 31, 2015	$6,303
Actual return on plan assets:	
Still held at the reporting date	**99**
Sales	**(485)**
Balance at December 31, 2016	**$5,917**

There were no assets transferred out of Level 2 or Level 3 in 2016, 2015 or 2014.

Valuation Techniques

Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets would be classified as Level 1. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with observable market data would be classified as Level 2. In addition, assets measured at Net Asset Value (NAV) per share and that can be redeemed at NAV per share at the measurement date are classified as Level 2. Assets valued using unobservable inputs (e.g., a company's own assumptions and data) would be classified as Level 3. All assets are evaluated at the fund level. Refer to Note 12 for a complete description of fair value measurements.

NOTE 9

Related Party Transactions

As discussed in Note 1, we lend to District Associations to fund their loan portfolios. At December 31, 2016, we had $14.0 billion in unfunded commitments to fund wholesale loans to District Associations, subject to any limitations under the borrowing base calculation defined in the GFA.

We also purchase participations from District Associations or related entities. At December 31, 2016, we had $7.2 billion of loans of such participations purchased, which included $3.4 billion of participation interests in the AgDirect program and $2.8 billion in the Asset Pool program.

We pay compensation to District Associations and related entities for servicing loans and loan participations. We paid $37.4 million, $35.8 million and $32.9 million in 2016, 2015 and 2014, respectively, to District Associations and related entities.

Interest income recognized on District Associations' wholesale loans was $1.3 billion, $1.1 billion and $1.0 billion during 2016, 2015 and 2014, respectively. In addition, we recorded fees of $29.7 million, $12.4 million and $13.0 million during 2016, 2015 and 2014, respectively, representing fees assessed on funding District Associations' wholesale loans.

We provide certain services to District Associations, including financial and retail systems, support and reporting, technology services, insurance services and internal audit services. Total business services income recorded from District Associations totaled $16.6 million, $19.2 million and $15.6 million during 2016, 2015 and 2014, respectively.

We, along with other System entities, collectively own Foundations. Our investment in Foundations was $25 thousand at December 31, 2016, 2015 and 2014, respectively. We purchase human resource information systems, benefit, payroll, and workforce management services from Foundations. Foundations subleases office space and purchases various business services from us.

Elected members of our Board are District Association borrowers. We have no direct lending relationships with any of our Board of Directors or Senior Officers. In the ordinary course of business, our Directors and Senior Officers are eligible to hold member investment bonds under the same terms and conditions as all other District Association borrowers and AgriBank employees. The amount held by our Directors and Senior Officers was negligible to the Statements of Condition. Refer to Note 5 for additional information regarding member investment bonds.

NOTE 10

Commitments and Contingencies

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the accompanying Financial Statements. We do not anticipate any material losses because of the contingencies or commitments.

On November 4, 2016 an alleged class action complaint was filed in the Supreme Court of the State of New York against AgriBank by a purported beneficial owner of our Subordinated Notes. The plaintiff has asserted a breach of contract claim and a breach of implied covenant of good faith and fair dealing claim alleging that we impermissibly redeemed the Notes. The plaintiff has requested damages in an amount to be determined at trial, reasonable attorneys' fees and other relief. On December 14, 2016, the case was moved to federal court and is pending in the Southern District of New York. The case is in the early pleading stage, and we intend to vigorously defend against these allegations. As of the date of these financial statements, the likelihood of any outcome of this proceeding cannot be determined.

Additionally, from time to time we may be named as defendants in certain lawsuits or legal actions in the normal course of business. At the date of these Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

While primarily liable for our portion of Systemwide bonds and notes, we are jointly and severally liable for the Systemwide bonds and notes of the other System Banks. The total bonds and notes of the System at December 31, 2016 were $257.8 billion.

We, together with all System Banks and the Funding Corporation, have entered into the Contractual Interbank Performance Agreement (CIPA). This agreement establishes agreed-upon standards of District financial condition and performance to achieve and maintain. AgriBank, and each of the other System Banks, exceeded the minimum performance measures at December 31, 2016.

We, together with all System Banks and the Funding Corporation, have entered into the MAA. This agreement establishes criteria and procedures for the System Banks to provide information and, under specific circumstances, restricting or prohibiting participation in issuances of Systemwide Debt Securities. The agreement is intended to identify and resolve individual System Bank financial problems in a timely manner. AgriBank, and each of the other System Banks, were in compliance with all aspects of the agreement at December 31, 2016.

If a System Bank fails to meet the MAA performance criteria, it will be placed into one of three categories. Each category gives the other System Banks progressively more control over a System Bank that has declining financial performance under the MAA performance criteria. A "Category I" Bank is subject to additional monitoring and reporting requirements; a "Category II" Bank's ability to participate in issuances of Systemwide Debt Securities may be limited to refinancing maturing debt obligations; and a "Category III" Bank may not be permitted to participate in issuances of Systemwide Debt Securities.

NOTE 11

Financial Instruments with Off-Balance Sheet Risk

We participate in financial instruments with off-balance sheet risk to satisfy the financing needs of borrowers. These financial instruments are in the form of commitments to extend credit and letters of credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the Financial Statements. Commitments to extend credit are agreements to lend to a borrower as long as they are in compliance with conditions established in the contract. Our loan commitments totaled $15.0 billion at December 31, 2016, of which $14.0 billion were on wholesale loans. Standby letters of credit are agreements to pay a beneficiary if there is default on a contractual arrangement. At December 31, 2016, we had issued standby letters of credit of $97.4 million and unexercised commitments related to standby letters of credit of $78.5 million.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses, and we may require payment of a fee. If commitments and letters of credit remain unfulfilled or have not expired, they may have credit risk not recognized on the Financial Statements. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers, and we apply the same credit practices. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 12

Fair Value Measurements

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We utilize a fair value hierarchy intended to maximize the use of observable inputs and is based upon the transparency of inputs used in the valuation of an asset or liability. A financial instrument's categorization within the valuation hierarchy is based upon the least transparent input that is significant to the fair value measurement. Refer to Note 2 for additional discussion of our fair value measurement policy.

Recurring Measurements
The following is a list of financial instruments each with a summary of the methods, valuation techniques and inputs used to measure fair value on a recurring basis:

Federal Funds: The fair value of federal funds is generally their face value, plus accrued interest, as these instruments are readily convertible to cash due to their next business day maturity.

Investments Available-for-Sale: The fair value of nearly all of our investment securities is determined from third-party valuation services that estimate current market prices using discounted cash flow models. Level 2 inputs and assumptions related to third-party market valuation services are typically observable in the marketplace. Level 3 inputs are based on the relatively illiquid marketplace for some investments and the lack of marketplace information available for significant inputs and assumptions to the valuation process. Third-party provided prices are compared against publicly available benchmarks and/or dealer quotes from time to time. In an illiquid marketplace and when the price variance between third parties is greater than 5 percent, an average price from two pricing services is used to determine fair value.

Significant increases in volatilities, market spreads, default probabilities, loss severities and possibly prepayment speeds could result in significantly lower fair value measurements. Conversely, significant decreases in those same elements could result in significantly higher fair value measurements. Generally, a change in the assumption used for the probability of default may be accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

As the fair value is determined by third-party valuation services without adjustment by management, quantitative information about significant unobservable inputs used in the fair value measurement are not reasonably available to us.

Derivative Assets and Liabilities: The fair value of our derivative financial instruments is the estimated amount to be received to sell a derivative asset or paid to transfer a derivative liability in active markets among willing participants at the reporting date. Estimated fair values are determined through internal market valuation models and inputs are observable directly or indirectly in the marketplace. We compare internally calculated derivative valuations to broker/dealer quotes to substantiate the results.

Cash Collateral Pledged To/By Counterparties: Derivative contracts are supported by bilateral collateral agreements with counterparties requiring us/them to post either cash or investment securities as collateral in the event certain dollar thresholds of credit exposure are reached or in the case of cleared derivatives, the posting of initial and variation margins. The market value of cash collateral pledged to counterparties and by counterparties is the face value of the collateral pledged, as that approximates fair value.

Valuation Techniques and Significant Inputs Used to Measure Fair Value on a Recurring Basis

	Source	Valuation Technique	Inputs
Federal Funds	Counterparty report	Cost approach	Principal plus accrued interest
Mortgage-backed securities	Third party pricing service	Income approach	Benchmark yield curves Volatilities Market spreads Prepayment speeds Quoted prices
Commercial paper and other	Third party pricing service	Market approach	Benchmark yield curves
U.S. Treasury securities	Third party pricing service	Income approach	Benchmark yield curves Quoted prices Bid prices Trade prices, yields, spreads Other observable market information
Asset-backed securities	Third party pricing service	Income approach	Benchmark yield curves Volatilities Market spreads Prepayment speeds Quoted prices
U.S. Agencies	Third party pricing service	Income approach	Benchmark yield curves Quoted prices Bid prices Trade prices, yields, spreads Other observable market information
Cash collateral pledged to counterparties	Counterparty report	Cost approach	Principal plus accrued interest
Derivative assets	Internally developed	Market approach	LIBOR swap curves Volatilities Quoted prices
Cash collateral pledged by counterparties	Counterparty report	Cost approach	Principal plus accrued interest
Derivative liabilities	Internally developed	Market approach	LIBOR swap curves Volatilities Quoted prices

Assets and Liabilities Measured at Fair Value on a Recurring Basis

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Value**
Assets:				
Federal funds	**$ --**	**$591,300**	**$ --**	**$591,300**
Investments available-for-sale:				
Mortgage-backed securities	**--**	**5,555,759**	**--**	**5,555,759**
Commercial paper and other	**--**	**4,786,782**	**--**	**4,786,782**
U.S. Treasury securities	**--**	**3,811,798**	**--**	**3,811,798**
Asset-backed securities	**--**	**742,913**	**--**	**742,913**
Total investments available-for-sale	**--**	**14,897,252**	**--**	**14,897,252**
Cash collateral pledged to counterparties	**31,128**	**--**	**--**	**31,128**
Derivative assets	**--**	**13,125**	**--**	**13,125**
Total assets	**$31,128**	**$15,501,677**	**$ --**	**$15,532,805**
Liabilities:				
Derivative liabilities	**$ --**	**$34,407**	**$ --**	**$34,407**
Total liabilities	**$ --**	**$34,407**	**$ --**	**$34,407**

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2015	Level 1	Level 2	Level 3	Value
Assets:				
Federal funds	$ --	$1,427,125	$ --	$1,427,125
Investments available-for-sale:				
Mortgage-backed securities	--	5,686,573	70,438	$5,757,011
Commercial paper and other	--	4,914,385	--	$4,914,385
U.S. Treasury securities	--	2,815,257	--	$2,815,257
Asset-backed securities	--	768,272	7,958	$776,230
Total investments available-for-sale	--	14,184,487	78,396	14,262,883
Cash collateral pledged to counterparties	32,023	--	--	32,023
Derivative assets	--	698	--	698
Total assets	$32,023	$15,612,310	$78,396	$15,722,729
Liabilities:				
Derivative liabilities	$ --	$52,002	$ --	$52,002
Total liabilities	$ --	$52,002	$ --	$52,002

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2014	Level 1	Level 2	Level 3	Value
Assets:				
Federal funds	$ --	$1,336,780	$ --	$1,336,780
Investments available-for-sale:				
Mortgage-backed securities	--	5,289,647	124,890	$5,414,537
Commercial paper and other	--	5,345,820	--	$5,345,820
U.S. Treasury securities	--	2,564,877	--	$2,564,877
Asset-backed securities	--	833,573	33,716	$867,289
U.S. Agencies	--	102,254	--	$102,254
Total investments available-for-sale	--	14,136,171	158,606	14,294,777
Cash collateral pledged to counterparties	22,018	--	--	22,018
Derivative assets	--	15,383	--	15,383
Total assets	$22,018	$15,488,334	$158,606	$15,668,958
Liabilities:				
Cash collateral pledged by counterparties	$7,280	$ --	$ --	$7,280
Derivative liabilities	--	44,562	--	44,562
Total liabilities	$7,280	$44,562	$ --	$51,842

Fair Value Measurement Activity of Level 3 Instruments

(in thousands)	Investments Available-For-Sale		
	Mortgage-backed securities	**Asset-backed securities**	**Total**
Balance at December 31, 2013	$208,801	$107,954	$316,755
Total gains (losses) realized/unrealized:			
Included in earnings	11,853	7,965	19,818
Included in other comprehensive income	(900)	10,325	9,425
Sales	(63,476)	(75,340)	(138,816)
Settlements	(31,388)	(17,188)	(48,576)
Balance at December 31, 2014	$124,890	$33,716	$158,606
Total gains (losses) realized/unrealized:			
Included in earnings	2,141	(228)	1,913
Included in other comprehensive income	(2,265)	(729)	(2,994)
Sales	(34,547)	(16,113)	(50,660)
Settlements	(19,781)	(8,688)	(28,469)
Balance at December 31, 2015	$70,438	$7,958	$78,396
Total gains (losses) realized/unrealized:			
Included in earnings	**4,545**	**5,573**	**10,118**
Included in other comprehensive income	**(3,610)**	**(5,957)**	**(9,567)**
Sales	**(63,093)**	**(7,325)**	**(70,418)**
Settlements	**(8,280)**	**(249)**	**(8,529)**
Balance at December 31, 2016	**$ --**	**$ --**	**$ --**

There were no assets or liabilities transferred between levels during 2016, 2015 or 2014.

Non-Recurring Measurements

The following represents a summary of the valuation techniques and inputs used to measure fair value on a non-recurring basis:

Impaired Loans: Certain collateral dependent loans are measured at fair value on a non-recurring basis using the market approach when they are evaluated for impairment in which fair values are based upon the underlying collateral. Costs to sell represent transaction costs and are not included as a component of the fair value. Since the value of the collateral, less estimated costs to sell, was less than the principal balance of the loan, specific reserves were established for these loans. Level 2 inputs are based on independent appraisals and other market-based information. Level 3 inputs are significantly impacted based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters.

Other Property Owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value (market approach), which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. Level 2 inputs are based on independent appraisals and other market-based information. Level 3 inputs are significantly impacted based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters.

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands)	Fair Value Measurement Using			Total Fair	Total
As of December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Value**	**Losses**
Impaired loans	**$ --**	**$ --**	**$23,933**	**$23,933**	**$(5,198)**
Other property owned	**--**	**--**	**363**	**363**	**(43)**

(in thousands)	Fair Value Measurement Using			Total Fair	Total
As of December 31, 2015	Level 1	Level 2	Level 3	Value	(Losses) Gains
Impaired loans	$ --	$ --	$15,621	$15,621	$(5,444)
Other property owned	--	--	588	588	37

(in thousands)	Fair Value Measurement Using			Total Fair	Total
As of December 31, 2014	Level 1	Level 2	Level 3	Value	(Losses) Gains
Impaired loans	$ --	$ --	$10,601	$10,601	$(3,238)
Other property owned	--	--	1,895	1,895	362

Other Financial Instrument Measurements

A description of the methods and assumptions used to estimate the fair value of each class of our financial instruments, measured at carrying amounts and not measured at fair value on the Statements of Condition, follows:

Cash: The carrying value is a reasonable estimate of fair value.

Net Non-Impaired Loans: Because no active market exists for our loans, the fair value of loans that are not individually specifically impaired is estimated by segregating the loan portfolio into pools of loans with approximate homogeneous characteristics. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool which are then discounted using current interest rates to determine the fair value. In addition, loans are valued using the Farm Credit interest rate yield curve, prepayment rates, contractual loan information, credit classification and collateral values. As the discount rates are based upon internal pricing mechanisms and other management estimates, management has no basis to determine whether the fair values presented would be indicative of the exit price negotiated in an actual sale. Furthermore, certain statutory or regulatory factors not considered in the valuation, such as the unique statutory rights of System borrowers, could render our portfolio less marketable outside the System.

Bonds and Notes: Systemwide Debt Securities are not all traded in the secondary market and those that are traded may not have readily available quoted market prices. Therefore, the fair value of the instruments is estimated by calculating the discounted value of the expected future cash flows. The discount rates used are based on the sum of quoted market yields for the Treasury yield curve and an estimated yield-spread relationship between Systemwide Debt Securities and Treasury securities. We estimate an appropriate yield-spread taking into consideration selling group member (banks and securities dealers) yield indications, observed new government-sponsored enterprise debt security pricing and pricing levels in the related U.S. dollar interest rate swap market.

Subordinated Notes: The fair value of obligations held by us is based on an estimated fair value using credit spreads, market trends, interest rate risks and comparisons to similar institutions which we receive from an independent investment dealer.

Commitments to Extend Credit and Letters of Credit: Estimating the fair value of commitments and letters of credit is determined by the inherent credit loss in such instruments based on rate of funding and credit loss factors.

Valuation Techniques and Significant Inputs Used to Measure Fair Value for Certain Financial Instruments

	Source	Valuation Technique	Inputs
Cash	Counterparty report	Cost approach	Par
Net non-impaired loans	Internally developed	Income approach	Yield curve (Farm Credit) Prepayment speeds Credit classification Contractual loan information Collateral values Discount rates
Bonds and notes	Third party pricing service	Income approach	Yield curve (Treasury) Market spreads U.S. dollar interest rate swap curve Quoted prices Discount rates
Subordinated notes	Internally developed	Income approach	Credit spreads Interest rate risks Market trends Other market information
Commitments to extend credit and letters of credit	Internally developed	Income approach	Benchmark yield curves Volatilities Market spreads Prepayment speeds Quoted prices

Financial Instruments Not Measured at Fair Value on the Statements of Condition

(in thousands) **As of December 31, 2016**	**Total Carrying Amount**	**Fair Value Measurement Using**			**Total Fair Value**
		Level 1	**Level 2**	**Level 3**	
Assets:					
Cash	**$469,996**	**$469,996**	**$ --**	**$ --**	**$469,996**
Net non-impaired loans	**86,034,327**	**--**	**--**	**85,475,621**	**85,475,621**
Total assets	**$86,504,323**	**$469,996**	**$ --**	**$85,475,621**	**$85,945,617**
Liabilities:					
Bonds and notes	**$96,633,431**	**$ --**	**$ --**	**$96,111,397**	**$96,111,397**
Total liabilities	**$96,633,431**	**$ --**	**$ --**	**$96,111,397**	**$96,111,397**
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		**$ --**	**$ --**	**$(18,915)**	**$(18,915)**

(in thousands) As of December 31, 2015	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	$533,711	$533,711	$ --	$ --	$533,711
Net non-impaired loans	82,786,699	--	--	82,692,611	82,692,611
Total assets	$83,320,410	$533,711	$ --	$82,692,611	$83,226,322
Liabilities:					
Bonds and notes	$93,404,251	$ --	$ --	$93,319,254	$93,319,254
Subordinated notes	498,283	--	--	604,885	604,885
Total liabilities	$93,902,534	$ --	$ --	$93,924,139	$93,924,139
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$ --	$ --	$(10,996)	$(10,996)

(in thousands) As of December 31, 2014	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	$780,948	$780,948	$ --	$ --	$780,948
Net non-impaired loans	77,523,539	--	--	77,788,304	77,788,304
Total assets	$78,304,487	$780,948	$ --	$77,788,304	$78,569,252
Liabilities:					
Bonds and notes	$88,552,711	$ --	$ --	$88,459,535	$88,459,535
Subordinated notes	497,899	--	--	625,280	625,280
Total liabilities	$89,050,610	$ --	$ --	$89,084,815	$89,084,815
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$ --	$ --	$(12,624)	$(12,624)

NOTE 13

Derivative and Hedging Activity

Use of Derivatives

We maintain an overall interest rate risk management strategy that incorporates the use of derivative products to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Our goals are to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that movements in interest rates do not adversely affect net interest margin. As a result of interest rate fluctuations, hedged fixed-rate liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by our gains or losses on the derivative instruments that are linked to these hedged assets and liabilities. Another result of interest rate fluctuations is that the interest income and interest expense of hedged floating-rate liabilities will increase or decrease. The effect of this

variability in earnings is expected to be substantially offset by our gains and losses on the derivative instruments that are linked to these hedged assets and liabilities. We consider the use of derivatives to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

We primarily enter into derivative transactions, particularly interest rate swaps, to lower funding costs, diversify sources of funding, alter interest rate exposures arising from mismatches between assets and liabilities or better manage liquidity. We use various derivative instruments as follows:

- Interest rate swaps allow us to change the characteristics of fixed or floating debt we issue by swapping to a synthetic fixed or floating rate lower than those available to us if borrowings were made directly. Under interest rate swap arrangements, we agree with other parties to exchange, at specified intervals, payment streams calculated on a specified notional principal amount, with at least one stream based on a specified floating rate index.
- Interest rate options allow us to manage the impact of changing interest rates on certain assets and liabilities.
- We also facilitate interest rate swaps to qualified borrowers of the District Associations. These swaps allow qualified borrowers to manage their interest rate risk and lock in a fixed interest rate similar to a fixed rate loan. We manage the interest rate risk from customer swaps with the execution of offsetting interest rate swap transactions.

Derivative Instruments Activity (in notional amount)

(in millions)	Receive-Fixed Swaps	Pay-Fixed and Amortizing Pay-Fixed Swaps	Floating-for-Floating and Amortizing Floating-for Floating	Other Derivatives	Total
Balance at December 31, 2013	$2,150	$1,216	$1,350	$ --	$4,716
Additions	550	60	--	40	650
Maturities/amortization	(1,150)	(41)	(200)	--	(1,391)
Balance at December 31, 2014	$1,550	$1,235	$1,150	$40	$3,975
Additions	700	468	1,700	15	2,883
Maturities/amortization	(700)	(200)	(350)	--	(1,250)
Forward starting becoming effective	--	20	--	(20)	--
Balance at December 31, 2015	$1,550	$1,523	$2,500	$35	$5,608
Additions	**1,216**	**566**	**1,400**	**56**	**3,238**
Maturities/amortization	**(200)**	**(1)**	**(800)**	**(1)**	**(1,002)**
Balance at December 31, 2016	**$2,566**	**$2,088**	**$3,100**	**$90**	**$7,844**

Other derivatives consisted of retail customer interest rate swaps and forward starting swaps.

Credit Risk Management

By using derivative products, we expose ourselves to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, our credit risk will equal the fair value gain in a derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes us, thus creating credit risk for us. When the fair value of the derivative contract is negative, we owe the counterparty and, therefore, we do not assume credit risk to that counterparty.

To minimize the risk of credit losses, for non-customer bilateral derivatives we deal only with counterparties that have an investment-grade or better credit rating from a rating agency and we monitor the credit standing and levels of exposure to individual counterparties. At December 31, 2016, we do not anticipate nonperformance by any of these counterparties. We typically enter into master agreements that contain netting provisions. These provisions allow us to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts. All such derivative contracts are supported by bilateral collateral agreements with counterparties requiring us/them to post collateral in the event certain dollar thresholds of exposure of one party to the other are reached. These thresholds vary depending on the counterparty's current credit rating. We had cash collateral pledged to counterparties of $10.0 million related to bilateral derivative contracts as of December 31, 2016 . We had no cash collateral pledged related to bilateral derivative contracts as of December 31, 2015. As of December 31, 2014, we had cash collateral pledged by counterparties of $7.3 million related to bilateral derivative contracts. We had no securities posted as collateral from counterparties at December 31, 2016, 2015 and 2014.

We may also clear derivative transactions through a futures commission merchant (FCM) with a clearinghouse or a central counterparty (CCP). When the swap is cleared by the two parties, the single bilateral swap is divided into two separate swaps with the CCP becoming the counterparty to both of the initial parties to the swap. CCPs have several layers of protection against default including margin, member capital contributions and FCM guarantees of their customers' transactions with the CCP. FCMs also pre-qualify the counterparties to all swaps that are sent to the CCP from a credit perspective, setting limits for each counterparty and collecting initial and variation margin daily from each counterparty for changes in the value of cleared derivatives. The margin collected from both parties to the swap protects against credit risk in the event a counterparty defaults. The initial and variation margin requirements are set by and held for the benefit of the CCP. Additional initial margin may be required and held by the FCM, due to its guarantees of its customers' trades with the CCP. Initial margin pledged to counterparties was $27.9 million, $17.8 million and $8.0 million as of December 31, 2016, 2015 and 2014, respectively. Variation margin pledged by counterparties was $6.7 million as of December 31, 2016. Variation margin pledged to counterparties was $14.3 million and $14.0 million as of December 31, 2015 and 2014, respectively.

Certain derivative instruments contain provisions that require us to post additional collateral upon the occurrence of a specified credit risk-related event. These events, which are defined by existing derivative contracts, are downgrades in the credit rating of AgriBank or if AgriBank is no longer considered a Federally Chartered Instrumentality of the United States. The fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position at December 31, 2016 was $32.1 million. In the event that we are downgraded, a tiered collateral posting would be activated which may require us to post collateral of up to $22.1 million.

Our derivative activities are monitored by our Asset/Liability Committee (ALCO) as part of the Committee's oversight of our asset/liability and treasury functions. Our hedging strategies are developed within limits established by the Board through our analysis of data derived from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into our overall interest rate risk-management strategies.

Accounting for Derivatives

Fair Value Hedges: For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings. We include the gain or loss on the derivative in the same line item ("Interest expense") as the offsetting gain or loss on the related hedged item. Gains and losses on derivatives representing hedge components excluded from the assessment of effectiveness are recorded in current period earnings in "Miscellaneous income and other gains, net" on the Statements of Comprehensive Income.

Cash Flow Hedges: For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive (loss) income, until earnings are affected by the variability of the cash flows of the hedged transaction. Gains and losses on the derivatives representing hedge components excluded from the assessment of effectiveness are recorded in current period earnings in "Miscellaneous income and other gains, net" on the Statements of Comprehensive Income.

Derivatives not Designated as Hedges: For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current period earnings in "Miscellaneous income and other gains, net" on the Statements of Comprehensive Income.

Financial Statement Impact of Derivatives

The following tables present the gross fair value, offsetting and net exposure amounts of derivative assets and derivative liabilities. The fair value of our derivative contracts are presented as "Derivative assets" and "Derivative liabilities" on the Statements of Condition, and are presented net for counterparties with master netting agreements.

(in thousands)	**2016**		2015		2014	
As of December 31,	**Fair Value Assets**	**Fair Value Liabilities**	Fair Value Assets	Fair Value Liabilities	Fair Value Assets	Fair Value Liabilities
Derivatives designated as hedging instruments:						
Receive-fixed swaps	**$2,099**	**$6,746**	$13,480	$649	$35,460	$77
Pay-fixed and amortizing pay-fixed swaps	**33,102**	**50,378**	3,380	64,587	4,102	63,787
Floating-for-floating and amortizing floating-for-floating swaps	**1,744**	**1,625**	151	3,368	--	5,114
Total derivatives designated as hedging instruments	**36,945**	**58,749**	17,011	68,604	39,562	68,978
Derivatives not designated as hedging instruments:						
Receive-fixed swaps	**--**	**--**	--	--	--	93
Pay-fixed and amortizing pay-fixed swaps	**3,568**	**130**	40	305	--	--
Other derivative products	**257**	**2,975**	483	--	248	--
Total derivatives not designated as hedging instruments	**3,825**	**3,105**	523	305	248	93
Credit valuation adjustments	**(198)**	**--**	71	--	82	--
Total gross amounts of derivatives	**$40,572**	**$61,854**	$17,605	$68,909	$39,892	$69,071
Gross amounts offset in Statements of Condition	**(27,447)**	**(27,447)**	(16,907)	(16,907)	(24,509)	(24,509)
Net amounts in Statements of Condition	**$13,125**	**$34,407**	$698	$52,002	$15,383	$44,562

(in thousands) **As of December 31,**	**2016**	2015	2014
Derivative assets, net	**$13,125**	$698	$15,383
Derivative liabilities, net	**(34,407)**	(52,002)	(44,562)
Accrued interest (payable) receivable on derivatives, net	**(568)**	2,426	285
Gross amounts not offset in Statements of Condition:			
Cash collateral pledged by counterparties	**--**	--	(7,280)
Cash collateral pledged to counterparties	**31,128**	32,023	22,018
Net exposure amounts	**$9,278**	$(16,855)	$(14,156)

The fair value of derivatives includes credit valuation adjustments (CVA). The CVA reflects credit risk of each derivative counterparty to which we have exposure, net of any collateral posted by the counterparty, and an adjustment for our credit worthiness where the counterparty has exposure to us. The CVA was unfavorable in 2016 due to our exposure to counterparties and favorable in 2015 and 2014 due to our counterparties' exposure to us. The change in the CVA for the period is included in "Miscellaneous income and other gains, net" on the Statements of Comprehensive Income.

Fair Value Hedges: We recorded losses related to swaps of $262 thousand in 2016 and gains of $169 thousand and $139 thousand 2015 and 2014, respectively. The gains and losses on the derivative instruments are recognized in "Interest expense" on the Statements of Comprehensive Income.

Cash Flow Hedges: The following table presents the amount of other comprehensive income (OCI) recognized on derivatives, the amount reclassified from accumulated other comprehensive income (AOCI) into earnings on effective cash flow hedges and amounts excluded from effectiveness testing. During the next 12 months, no net losses in AOCI on derivative instruments that qualified as cash flow hedges are expected to be reclassified into earnings.

(in thousands) **For the year ended December 31, 2016** **Cash Flow Hedging Relationships**	**Amount of Gain Recognized in OCI on Derivatives (Effective Portion)**	**Amount of Gain Reclassified from AOCI into Income (Effective Portion)**	**Amount of Loss Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing**
Pay-fixed and amortizing pay-fixed swaps	**$43,931**	**$ --**	**$ --**
Floating-for-floating and amortizing floating-for-floating swaps	**3,336**	**--**	**(47)**
Total	**$47,267**	**$ --**	**$(47)**

(in thousands) For the year ended December 31, 2015 Cash Flow Hedging Relationships	Amount of (Loss) Gain Recognized in OCI on Derivatives (Effective Portion)	Amount of Loss (Gain) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing
Pay-fixed and amortizing pay-fixed swaps	$(1,512)	$(27)	$2
Floating-for-floating and amortizing floating-for-floating swaps	1,991	--	(20)
Other derivative products	(105)	(36)	167
Total	$374	$(63)	$149

(in thousands) For the year ended December 31, 2014 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)	Amount of Loss (Gain) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing
Pay-fixed and amortizing pay-fixed swaps	$(66,946)	$515	$6
Floating-for-floating and amortizing floating-for-floating swaps	1,841	--	--
Other derivative products	--	(296)	--
Total	$(65,105)	$219	$6

Derivatives not Designated as Hedges: We recorded net gains related to swaps of $3.7 million in 2016 and net losses of $171 thousand and $70 thousand in 2015 and 2014, respectively. The gains and losses on the derivative instruments are recognized in "Miscellaneous income and other gains, net" on the Statements of Comprehensive Income.

NOTE 14

Accumulated Other Comprehensive Income

Changes in Components of Accumulated Other Comprehensive Income

(in thousands)	Not-other-than-temporarily-impaired Investments	Other-than-temporarily-impaired Investments	Derivatives and Hedging Activity	Total
Balance at December 31, 2013	$(1,245)	$10,252	$463	$9,470
Other comprehensive (loss) income before reclassifications	4,175	26,432	(65,105)	(34,498)
Amounts reclassified from accumulated other comprehensive income	1,675	(21,493)	(219)	(20,037)
Net other comprehensive (loss) income	5,850	4,939	(65,324)	(54,535)
Balance at December 31, 2014	$4,605	$15,191	$(64,861)	$(45,065)
Other comprehensive income (loss) before reclassifications	(37,938)	(386)	374	(37,950)
Amounts reclassified from accumulated other comprehensive income	2,331	(4,244)	63	(1,850)
Net other comprehensive income (loss)	(35,607)	(4,630)	437	(39,800)
Balance at December 31, 2015	$(31,002)	$10,561	$(64,424)	$(84,865)
Other comprehensive (loss) income before reclassifications	**(32,264)**	**(2)**	**47,267**	**15,001**
Amounts reclassified from accumulated other comprehensive income	**393**	**(10,559)**	**--**	**(10,166)**
Net other comprehensive (loss) income	**(31,871)**	**(10,561)**	**47,267**	**4,835**
Balance at December 31, 2016	**$(62,873)**	**$ --**	**$(17,157)**	**$(80,030)**

Reclassifications Out of Accumulated Other Comprehensive Income

(in thousands)

Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income			Affected Line Item in the Statements of Comprehensive Income
For the year ended December 31,	**2016**	2015	2014	
Not-other-than-temporarily-impaired investments:				
Impairment losses	**$ --**	$73	$ --	Net impairment losses recognized in earnings
Realized loss on sale of investment securities, net	**393**	2,258	1,675	Miscellaneous income and other gains, net
	393	2,331	1,675	
Other-than-temporarily-impaired investments:				
Impairment losses	**--**	620	150	Net impairment losses recognized in earnings
Realized gain on sale of investment securities, net	**(10,559)**	(4,864)	(21,643)	Miscellaneous income and other gains, net
	(10,559)	(4,244)	(21,493)	
Derivatives and hedging activity:				
Interest rate contracts	**--**	63	(219)	Interest expense
Total reclassifications	**$(10,166)**	$(1,850)	$(20,037)	

NOTE 15

Condensed Average Daily Statements of Condition (Unaudited)

Condensed Statements of Condition on an Average Daily Balance Basis

(in thousands) **As of December 31,**	**2016**	2015	2014
Net loans	**$83,691,945**	$77,812,268	$73,502,321
Cash, federal funds and investment securities	**16,145,530**	16,032,350	14,545,023
Accrued interest receivable	**400,570**	354,316	339,309
Other assets	**199,480**	149,993	149,060
Total assets	**$100,437,525**	$94,348,927	$88,535,713
Bonds and notes	**$94,646,852**	$88,884,222	$83,307,158
Other liabilities	**491,294**	421,302	375,773
Total liabilities	**95,138,146**	89,305,524	83,682,931
Shareholders' equity	**5,299,379**	5,043,403	4,852,782
Total liabilities and shareholders' equity	**$100,437,525**	$94,348,927	$88,535,713

NOTE 16

Quarterly Financial Information (Unaudited)

Select Quarterly Financial Information

(in thousands) **2016**	**First**	**Second**	**Third**	**Fourth**	**Total**
Interest income	**$429,648**	**$438,664**	**$445,846**	**$453,731**	**$1,767,889**
Interest expense	**289,094**	**298,454**	**300,905**	**304,961**	**1,193,414**
Net interest income	**140,554**	**140,210**	**144,941**	**148,770**	**574,475**
Provision for loan losses	**3,000**	**1,500**	**1,000**	**1,000**	**6,500**
Other expense, net	**13,110**	**2,956**	**(1,339)**	**17,183**	**31,910**
Net income	**$124,444**	**$135,754**	**$145,280**	**$130,587**	**$536,065**

(in thousands) 2015	First	Second	Third	Fourth	Total
Interest income	$362,924	$368,448	$381,716	$395,050	$1,508,138
Interest expense	234,720	241,395	250,866	261,155	988,136
Net interest income	128,204	127,053	130,850	133,895	520,002
Provision for loan losses	2,000	1,000	2,000	2,500	7,500
Other income, net	2,350	8,206	7,766	14,207	32,529
Net income	$123,854	$117,847	$121,084	$117,188	$479,973

(in thousands) 2014	First	Second	Third	Fourth	Total
Interest income	$341,718	$347,127	$354,368	$362,076	$1,405,289
Interest expense	214,737	215,826	222,044	227,649	$880,256
Net interest income	126,981	131,301	132,324	134,427	525,033
Provision for loan losses	500	2,000	--	1,000	3,500
Other income, net	(4,611)	(6,156)	(23,426)	(13,922)	(48,115)
Net income	$131,092	$135,457	$155,750	$147,349	$569,648

NOTE 17

Subsequent Events

We have evaluated subsequent events through March 1, 2017, which is the date the Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our 2016 Financial Statements or disclosure in the Notes to those Financial Statements.

Additional Regulatory Information

AgriBank, FCB

(Unaudited)
(In whole dollars unless otherwise noted)

Description of Business

General information regarding the business is incorporated herein by reference from Note 1 to the Financial Statements included in this Annual Report.

The description of significant business developments, if any, is incorporated herein by reference from the "Management's Discussion and Analysis" section included in this Annual Report.

Description of Property

We lease our headquarters located in St. Paul, Minn. In addition to base rent, we are responsible for our share of the operating costs of the building under the lease agreement. Our lease agreement expires October 31, 2026. We sublease a portion of our office space to Farm Credit Foundations.

Legal Proceedings

Information regarding legal proceedings is incorporated herein by reference from Note 10 to the Financial Statements included in this Annual Report. We were not subject to any enforcement actions as of December 31, 2016.

Description of Capital Structure

Information regarding capital structure is incorporated herein by reference from Note 7 to the Financial Statements included in this Annual Report.

Description of Liabilities

Information regarding liabilities is incorporated herein by reference from Notes 5, 6, 8, 10, 12 and 13 to the Financial Statements included in this Annual Report.

Selected Financial Data

"Five-Year Summary of Selected Financial Data," included at the beginning of this Annual Report, is incorporated herein by reference.

Management's Discussion and Analysis

"Management's Discussion and Analysis," included in this Annual Report, is incorporated herein by reference.

Board of Directors of AgriBank, FCB

The Board of Directors is organized into the following committees to carry out Board responsibilities:

- The **Audit Committee** oversees financial reporting, the adequacy of our internal control systems, the scope of AgriBank's internal audit program, the independence of the outside auditors, the processes for monitoring compliance with laws and regulations and the code of ethics. The Audit Committee also oversees the adequacy of management's action with respect to recommendations arising from auditing activities.
- The **Finance Committee** monitors our financial and capital planning, asset/liability management and funding and investment activities. Committee members serve as a resource to the Board by maintaining a more in-depth knowledge of our financial activities.
- The **Governance Committee** addresses issues of Board governance and the Board's continuing efforts to strengthen and renew the Board, oversees Board training and effectiveness and administers a process for maintaining and periodically reviewing board policies.
- The **Human Resources Committee** oversees and provides overall direction and/or recommendations for compensation, benefits and human resource performance management programs.
- The **Risk Management Committee** oversees the integration of risk management activities throughout our organization. Committee members review ongoing risk assessments of current and emerging risks to ensure adequate planning and resources are directed at managing the identified risks. The Committee also establishes and promotes an effective risk culture throughout our organization.
- The **Strategic Planning Committee** oversees strategic issues and discussion on an ongoing basis throughout the year and administers a planning process focused upon achieving our mission and maintaining a viable, competitive institution. The committee members review and address feedback from our member-owners related to our strategy and direction.

Information regarding directors who served as of December 31, 2016, including business experience in the past five years and any other business interest where a director serves on the Board of Directors or as a senior officer follows:

Name	Term Expires	Principal Occupation, Board Committees and Other Affiliations
Matt Walther, Board chair Year term began: 2015	2019	**Principal Occupation:** Self-employed crop and cow/calf herd and finished cattle farmer in Centerville, Ind. **Board Committees:** Ex officio on AgriBank Board Committees **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. Member: Buell Drainage, LLC, tile drainage company, Centerville, Ind.
Keri Votruba, Board vice chair Year term began: 2016	2020	**Principal Occupation:** Self-employed grain and livestock farmer in Hemingford, Neb. **Board Committees:** Audit Committee Risk Management Committee
Ed Breuer Year term began: 2015	2019	**Principal Occupation:** Self-employed grain and livestock farmer in Mandan, N.D. **Board Committees:** Chair of the Governance Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. National Farm Credit Council Board, Washington, D.C.
Stan Claussen Year term began: 2016	2020	**Principal Occupation:** Self-employed grain, cattle, sugar beet and vegetable farmer in Montevideo, Minn. **Board Committees:** Governance Committee **Other Affiliations:** Bushmills Ethanol Board, Atwater, Minn. Fairland Management Company Board, Windom, Minn.
Richard Davidson Year term began: 2013	2017	**Principal Occupation:** Self-employed grain and livestock farmer in Washington Court House, Ohio. **Board Committees:** Finance Committee Risk Management Committee **Other Affiliations:** Director: Federal Agricultural Mortgage Corporation (Farmer Mac), an agricultural secondary market real estate lending corporation, Washington, D.C.
Ernie Diggs Year term began: 2016	2020	**Principal Occupation:** Self-employed crop farmer in Paris, Tenn. **Board Committees:** Vice chair of the Governance Committee
Dan Flanagan Year term began: 2014	2018	**Principal Occupation:** Self-employed grain farmer in Campbellsville, Ky. **Board Committees:** Governance Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. National Farm Credit Council Board, Washington, D.C. President: 4-E Flanagan Farms, Inc., farm related business, Campbellsville, Ky. President: Saloma Chick Litter Company, Inc., farm related business, Campbellsville, Ky.
Thomas Klahn Year term began: 2013	2017	**Principal Occupation:** Self-employed grain farmer in Lodi, Wis. **Board Committees:** Human Resources Committee
Natalie Laackman, appointed director Year term began: 2013	2017	**Principal Occupation:** Chief Financial Officer of The Shamrock Foods Company, a food manufacturing and distribution company in Phoenix, Ariz. **Board Committees:** Chair and financial expert of the Audit Committee

Name	Term Expires	Principal Occupation, Board Committees and Other Affiliations
Brian Peterson Year term began: 2016	2020	**Principal Occupation:** Self-employed dairy and crop farmer in Trenton, Mo. **Board Committees:** Vice chair of the Human Resources Committee Vice chair of the Strategic Planning Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. Treasurer: Rural Dale Cemetery Association, Trenton, Mo.
John Schable Year term began: 2013	2017	**Principal Occupation:** Self-employed grain farmer in Tuscola, Ill. **Board Committees:** Audit Committee
John Schmitt Year term began: 2015	2019	**Principal Occupation:** Self-employed grain and beef cattle farmer in Quincy, Ill. **Board Committees:** Chair of the Strategic Planning Committee Vice chair of the Finance Committee Vice chair of the Risk Management Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. Director: Adams County Farm Bureau, Quincy, Ill.
Dan Shaw Year term began: 2014	2018	**Principal Occupation:** Self-employed livestock and grain farmer and grain merchandiser in Edgar, Neb. **Board Committees:** Chair of the Risk Management Committee Finance Committee Strategic Planning Committee **Other Affiliations:** Owner/Operator: Shaw Grain LLC, a local grain elevator, Edgar, Neb. Owner/Operator: Shaw Farms LLC, a poultry breeding operation, Edgar, Neb. Board chair: Edgar Township Board, Edgar, Neb.
William Stutzman Year term began: 2014	2018	**Principal Occupation:** Full-time farmer and President of Farm Resource Management, Inc., a grain marketing and consulting company in Blissfield, Mich. **Board Committees:** Human Resources Committee **Other Affiliations:** President and CEO: Ogden Communications, Inc., a communications company, Ogden, Mich. Director: Farm Credit Foundations Board, an employee benefits provider, St. Paul, Minn. Member: Farm Credit Foundations Plan Sponsor Committee, St. Paul, Minn.
Roy Tiarks Year term began: 2013	2017	**Principal Occupation:** Self-employed grain and livestock farmer in Council Bluffs, Iowa. **Board Committees:** Audit Committee **Other Affiliations:** Chair: Federal Farm Credit Banks Funding Corporation, Jersey City, N.J.
Nick Vande Weerd Year term began: 2015	2019	**Principal Occupation:** Self-employed dairy, livestock and grain farmer in Brookings, S.D. **Board Committees:** Chair of the Human Resources Committee Strategic Planning Committee Risk Management Committee
Leon Westbrock, appointed director Year term began: 2015	2019	**Principal Occupation:** Retired from CHS Inc., a U.S.-based diversified energy, grains and foods company headquartered in Inver Grove Heights, Minn. **Board Committees:** Chair of the Finance Committee Strategic Planning Committee **Other Affiliations:** Director: Southern Minnesota Sugar Beet Cooperative, a farmer-owned producer of beet sugar in Renville, Minn.
Thomas Wilkie, III Year term began: 2014	2018	**Principal Occupation:** Self-employed grain farmer and owner of a drainage supply company in Forrest City, Ark. **Board Committees:** Vice chair of the Audit Committee Strategic Planning Committee **Other Affiliations:** AgriBank District Farm Credit Council Board, St. Paul, Minn. Vice Chair: National Farm Credit Council Board, Washington, D.C. Farm Credit Council Services Board, Denver, Colo.

Information regarding days served and compensation paid during 2016 for each director follows:

	Days Served		
	Board Meetings	**Other Activities**	**Compensation Paid in 2016**
Matt Walther	**14**	**21**	**$65,130**
Keri Votruba	**16**	**17**	**65,130**
Ed Breuer	**16**	**15**	**57,391**
Stan Claussen*	**13**	**16**	**45,043**
Richard Davidson	**15**	**14**	**59,391**
Ernie Diggs	**15**	**16**	**57,391**
Douglas Felton**	**3**	**6**	**14,348**
Dan Flanagan	**16**	**20**	**57,391**
Thomas Klahn	**15**	**9**	**57,391**
Natalie Laackman	**16**	**13**	**65,130**
Brian Peterson	**16**	**23**	**57,391**
John Schable	**16**	**16**	**59,391**
John Schmitt	**16**	**17**	**57,391**
Dan Shaw	**16**	**15**	**57,391**
William Stutzman	**16**	**14**	**57,391**
Roy Tiarks	**15**	**14**	**57,391**
Nick Vande Weerd	**16**	**14**	**59,391**
Leon Westbrock	**16**	**14**	**57,391**
Thomas Wilkie, III	**16**	**23**	**57,391**
Total			**$1,064,255**

* Elected to Board in 2016

** Term expired in 2016

FCA regulations and other FCA guidance relating to director compensation for extraordinary service provide that additional compensation may be paid in excess of the statutory maximum, if circumstances justify such additional compensation. The Board of Directors approved the payment of additional compensation of 10 percent of the 2016 regulatory maximum to Matt Walther, Keri Votruba and Natalie Laackman for extraordinary service provided in 2016. In addition, the Board of Directors also approved compensation for extraordinary service in the amount of $2 thousand for all Board members who served on the CEO Search Committee during 2016. These amounts will be paid only to the extent that any individual director's compensation would not exceed the cap of 30 percent above the maximum annual statutory amount authorized by the FCA.

Days served in the preceding chart represent actual days at Board meetings and activities. Board members also spend additional time in preparation for meetings and in travel to and from meetings.

The Board members receive an annual retainer which is paid quarterly for attendance at meetings and other official activities. Directors are also reimbursed for reasonable expenses incurred.

Senior Officers

The senior officers of AgriBank, FCB at December 31, 2016 included:

Name	Position	Business experience and employment during past five years
William J. Thone	Chief Executive Officer	Current position began in August 2016. Prior to that served as vice president and general counsel of AgriBank until retirement in 2015.
Ruth L. Anderson	Vice President, Business Services	Current position began in March 2011. Prior to that served as director, Information Services for AgriBank beginning in 2006.
James B. Jones	Senior Vice President, Chief Risk Officer	Current position began in August 2015. Prior to that served as vice president, chief risk officer for AgriBank beginning in 2011.
Patricia G. Jones	Senior Vice President, Human Resources and Communications	Current position began in August 2015. Prior to that served as vice president, Human Resources and Administration for AgriBank since 2010.
Jerry M. Lehnertz	Senior Vice President, Credit	Current position began in February 2016. Prior to that served as vice president, Lending at AgriBank since February 2012. Prior to that he served as senior vice president, Credit for FCS Commercial Finance Group.
Jeffrey L. Moore	Senior Vice President, Finance	Current position began in August 2012. Prior to that served as vice president, Controller for AgriBank beginning in 1998. Committee member on the Farm Credit Foundations Trust Committee.
Brian J. O'Keane	Executive Vice President, Banking and Finance, and Chief Financial Officer	Current position began in January 2011. Prior to that served as senior vice president and chief financial officer for AgriBank since 2007.
Barbara K. Stille	Senior Vice President and General Counsel	Current position began in December 2014. Prior to that served as executive vice president-operations and general counsel for 1st Farm Credit Services, ACA since January 2014 and senior vice president and general counsel for 1st Farm Credit Services, ACA beginning in 2006.
Jeffrey R. Swanhorst	Executive Vice President, Credit, and Chief Credit Officer	Current position began in August 2011. Prior to that served as senior vice president of Credit for CoBank, ACB.

Senior Officer Compensation

All senior officers, including the chief executive officer (CEO), are compensated with a mix of salary, short-term and long-term incentives as well as various AgriBank Farm Credit District post-employment benefit plans. The Human Resources Committee of the Board determines the appropriate levels and mix of short-term and long-term incentives in a responsible manner. Annual compensation for senior officers is intended to be competitive with annual compensation for comparable positions at peer organizations. The Human Resources Committee engages a consulting firm to conduct an independent review of external benchmark data on a regular basis for senior officers. Our compensation philosophy enables us to attract and retain highly qualified senior officers with the requisite skills and experience to achieve our desired business results, including our mission to ensure that safe, sound and reliable sources of credit and related services are provided to rural America.

Salary: Senior officer base salaries reflect the officer's experience and level of responsibility. The base salary of the CEO is subject to review and approval by the Board. All other senior officer salaries are subject to review and approval by the CEO or his/her direct manager.

Short-term Incentive Compensation: Annually, a short-term incentive compensation program is available to all employees, including senior officers, based upon AgriBank performance criteria established by the Board and personal objectives established by employees and their managers. In 2015 and 2014 the criteria for AgriBank performance objectives included: financial measures of efficiency ratio, adverse credit quality ratio and return on equity ratio as well as client measures of client satisfaction and performance. The short-term incentive compensation amounts are calculated after the end of the plan year (calendar year) and are generally paid out in a lump sum within 90 days of year end. In 2016 the criteria for AgriBank performance objectives included: financial measures for an efficiency ratio and a return available for patronage; client measures for our CIPA performance score and client satisfaction; and performance achievement of our strategic imperatives. These same measures will continue for 2017.

Long-term Incentive Compensation: The CEO and certain senior officers also receive long-term incentive compensation. The long-term incentive compensation amounts are determined based upon three-year performance criteria established by the Board. A new three-year plan is established each year. The criteria for the plan year beginning in 2016 were based on return available for patronage and our CIPA performance score. The criteria for plan years beginning in 2015 and 2014 were based on AgriBank's performance and include three potential incentive levels based on cumulative net income, average return on assets and CIPA asset quality at the end of each three-year period.

The Board, in its sole discretion, may increase or decrease the amount of any incentive calculated. The long-term incentive compensation amounts are calculated annually and are generally paid out in a lump sum within 90 days of the final three-year plan year. Additionally, long-term incentive compensation may be provided to new senior officers on a phased in basis during the initial three years of participation in the long-term incentive program. Annual long-term incentive amounts reflect long-term incentives earned in the applicable year based on an estimate of the total incentive over the three-year period.

Perquisites: Perquisites may include compensation associated with group term life and long-term disability insurance premiums, taxable reimbursements, commuting assistance, and tax reimbursement for perquisite compensation, as applicable. The senior officers did not receive any additional noncash compensation during any year presented.

Other: The "Other" category includes:

- Employer contributions to the AgriBank District Retirement Savings Plan which is available to all employees, including senior officers.
- Changes in the value of pension benefits, which is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year for the District-wide Retirement Plan and Pension Restoration Plan, as applicable, as disclosed in Note 8 to the accompanying Financial Statements. This change in value does not represent cash payments made by AgriBank during the year, but rather is an estimate of the change in AgriBank's future obligations under the pension plans.
- Service awards available to all employees meeting pre-established years of service anniversaries.

- Severance reported in 2016 included payments to Mr. York in 2016 and amounts to be paid in 2017 and 2018 in connection with his employment separation.
- A sign-on bonus in 2014.

“Other” fluctuates from year to year based primarily on changes to pension actuarial assumptions and changes in composition of the aggregate senior officers.

Retirement Plans: The AgriBank District has various post-employment benefit plans which are generally available to all AgriBank employees, including the CEO and senior officers, based on dates of service to AgriBank and are not otherwise differentiated by position, unless specifically stated. Information regarding the post-employment benefit plans is incorporated herein by reference from Notes 2 and 8 to the accompanying Financial Statements included in this Annual Report.

Senior officers and certain other individuals over a specified salary amount have an option to defer payments of their salary as well as payments under both the short-term and long-term incentive programs in accordance with applicable laws and regulations. Total amounts deferred by L. William York, CEO, were $295 thousand, $342 thousand and $228 thousand for amounts that were to be paid during 2016, 2015 and 2014, respectively. William J. Thone, CEO, did not defer any compensation in 2016. Total amounts deferred by senior officers and other highly compensated individuals (excluding the CEO) were $4 thousand, $25 thousand and $91 thousand for amounts that were to be paid in 2016, 2015 and 2014, respectively.

Compensation Paid to the Senior Officers and Highly Compensated Individuals

Name of Individual (in thousands)	Year	Salary	Short-term Incentive Compensation	Long-term Incentive Compensation[1]	Perquisites	Other	Total
CEO[2]:							
William J. Thone	**2016**	**$258**	**$37**	**$ --**	**$22**	**$2**	**$319**
L. William York	**2016**	387	--	(32)	7	1,577	1,939
L. William York	2015	647	417	375	14	367	1,820
L. William York	2014	628	514	411	14	318	1,885
Aggregate Number of Senior Officers and Highly Compensated Individuals (excluding CEO):							
8[3]	**2016**	**$2,502**	**$1,125**	**$604**	**$82**	**$901**	**$5,214**
7[4]	2015	2,115	946	539	100	498	4,198
7[5]	2014	1,974	1,044	467	58	1,227	4,770

[1] All compensation is disclosed in the year it is earned. As the long-term incentive is on a rolling three-year basis, adjustments for earnings plan-to-date in a particular plan year may be reduced so the cumulative earned long-term compensation reflects the actual payments received at the end of the three-year period.

[2] On July 25, 2016, L. William York left the position of CEO and Barbara K. Stille, senior vice president and general counsel assumed the duties of CEO until the interim CEO, William J. Thone, was placed on August 1, 2016. Subsequently, William J. Thone was named CEO of AgriBank on December 1, 2016. For the purposes of this disclosure, compensation for Barbara K. Stille is included in the aggregate Senior Officer group.

[3] 2016 count includes a new senior officer position as of February 1, 2016. Dollars include new senior officer compensation for February to December 2016.

[4] 2015 count includes a new senior officer position as of August 1, 2015. Dollars include new senior officer compensation for August to December 2015.

[5] 2014 count and dollars includes compensation related to the current General Counsel (who began employment with AgriBank on December 1, 2014), plus all 2014 compensation related to the previous General Counsel (who remained with AgriBank in an advisory capacity).

Farm Credit Administration (FCA) regulations require the disclosure of the compensation paid during the last three fiscal years to all senior officers included in the above table to AgriBank shareholders and shareholders of related institutions upon request.

Pension Benefits Attributable to Senior Officers

(dollars in thousands) **2016** Name of Individual	Plan	Years of Credited Service	Present Value of Accumulated Benefits	Payments Made During the Reporting Period
CEO:				
William J. Thone	AgriBank District Retirement Plan	**38.0**	**$1,387**	**$83**
	AgriBank District Pension Restoration Plan	**38.0**	**218**	**28**
L. William York	AgriBank District Retirement Plan	**26.5**	**728**	**--**
	AgriBank District Pension Restoration Plan	**26.5**	**1,140**	**--**
Aggregate Number of Senior Officers (excluding CEO):				
5	AgriBank District Retirement Plan	**25.6**	**$4,546**	**$ --**
3	AgriBank District Pension Restoration Plan	**23.4**	**45**	**--**

The change in composition of the aggregate senior officer and highly compensated individuals can have a significant impact on the calculation of the accumulated pension benefits. There were no highly compensated individuals included in 2016.

Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. Therefore, any employee starting employment with the AgriBank District after that date is not eligible to be in the plan.

The AgriBank District Pension Restoration Plan restores retirement benefits to certain highly compensated employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits. Not all senior officers or highly compensated employees are eligible to participate in this plan.

Transactions with Senior Officers and Directors

Information regarding related party transactions is incorporated herein by reference from Note 9 to the accompanying Financial Statements included in this Annual Report.

Travel, Subsistence and Other Related Expenses

Directors and senior officers are reimbursed for reasonable travel, subsistence and other related expenses associated with AgriBank's business functions. AgriBank Directors were reimbursed for expenses in the amount of $307,055, $290,754 and $271,157 in 2016, 2015 and 2014, respectively. A copy of AgriBank's policy for reimbursing these costs is available by contacting AgriBank at the address provided in the Financial Statements section below.

Involvement in Certain Legal Proceedings

There were no events during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer of AgriBank on January 1, 2017 or at any time during 2016.

Shareholder Privacy

Shareholders' nonpublic personal financial information is protected by FCA regulations. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about AgriBank, District Associations or their shareholders.

Relationship with Qualified Public Accountant

There were no changes in independent auditors since the last Annual Report to members and we are in agreement with the opinion expressed by the independent auditors. The total financial statement audit fees paid during 2016 were $327 thousand. In addition, we incurred fees of $238 thousand for ICFR readiness and remediation procedures, which were approved by the Audit Committee, as well as $2 thousand for accounting research software and $750 for employee training sponsored by the external

auditor which occurred in the normal course of business. There were no other audit, tax or non-audit related services paid in 2016.

Financial Statements

The "Report of Management, " "Report on Internal Control over Financial Reporting," "Report of Audit Committee," "Independent Auditor's Report, " "Financial Statements" and "Notes to Financial Statements, " included in this Annual Report, are incorporated herein by reference.

Copies of AgriBank's annual and quarterly reports and the annual and quarterly reports of the combined AgriBank, FCB and District Associations are available free of charge upon request to:

AgriBank, FCB
30 E. 7th St., Suite 1600
St. Paul, MN 55101-4914
(651) 282-8800
financialreporting@agribank.com

The reports are also available through AgriBank's website at www.AgriBank.com. The quarterly reports are available approximately 40 days following the end of each calendar quarter and the Annual Report is available approximately 75 days following the end of the year.

District Young, Beginning and Small Farmers and Ranchers

As part of the System's commitment to rural America, District Associations have specific programs in place to serve the credit and related needs of young, beginning and small farmers and ranchers in their territories. The definitions of young, beginning and small farmers and ranchers follow:

- **Young**: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- **Beginning**: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
- **Small**: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $250 thousand in annual gross sales of agricultural or aquatic products.

It is important to note that a farmer/rancher may be included in multiple categories based on meeting specific definitions. A more detailed discussion of each District Association's programs for young, beginning and small farmers and ranchers can be found within their respective Annual Reports.

Young, Beginning and Small Farmers and Ranchers Served by AgriBank District

As of December 31, 2016	Young	Beginning	Small
As a percentage of total District farm members:			
Number of loans	**19.0%**	**24.9%**	**46.1%**
Loan and commitment volume	**13.7%**	**18.0%**	**20.6%**

Risk Factors

In the course of conducting our business operations, we are exposed to a variety of risks, some of which are inherent in the financial services industry and others of which are more specific to our own business. The following discussion summarizes some of the more important risk factors that we face. This discussion is not exhaustive and there may be other risk factors that we face that are not described below. The risk factors described below, if realized, could negatively or positively affect our business, financial condition and future results of operations.

We and the other Banks in the Farm Credit System (the System) are liable for the debt of the System. We, along with the other Banks in the System obtain funds for our lending activities and operations primarily from the sale by the Funding Corporation of Systemwide Debt Securities. The Systemwide Debt Securities are not obligations of and are not guaranteed by the United States of America or any agency or instrumentality thereof, other than the System Banks. Under the Farm Credit Act, each Bank is primarily liable for the portion of the Systemwide Debt Securities issued on its behalf. We are primarily liable for Systemwide Debt Securities we have issued. The Banks are also jointly and severally liable for interest payments on certain other debt securities issued individually by other Banks pursuant to Section 4.4(a)(1) of the Farm Credit Act (12 U.S.C. § 2155(a)(1)) (the “Co-Liability Statute”). However, the holders of outstanding subordinated notes that is subject to the Co-Liability Statute waived any right they may have pursuant to the Co-Liability Statute or otherwise to hold other Banks liable for interest payments on such subordinated notes. Additionally, each Bank is jointly and severally liable for the Systemwide Debt Securities issued on behalf of a Bank that is in default on its portion of the Systemwide Debt Securities and where the Farm Credit Insurance Fund (Insurance Fund) of Farm Credit System Insurance Corporation (FCSIC) is insufficient to cure the default. Although the Banks have established a system of mutual covenants and measures that are monitored on a quarterly basis, there is no assurance that these would be sufficient to protect a Bank from liability, should another Bank default and the Insurance Fund be insufficient to cure the default.

The Insurance Fund is available from the FCSIC to ensure the timely payment by each Bank of its primary obligations on the Systemwide Debt Securities, and can also be used by the FCSIC for its operating expenses and for other mandatory and permissive purposes. Under the Farm Credit Act, before joint and several liability can be invoked, available amounts in the Insurance Fund would be utilized to make the payment on such obligations. There is no assurance, however, that the Insurance Fund will have sufficient resources to fund a Bank’s defaulted payment of principal and interest on its portion of the Systemwide Debt Securities. If the Insurance Fund is insufficient, then the non-defaulting Banks must pay the default amount in proportion to their respective available collateral positions. “Available collateral” is collateral in excess of the aggregate of each Bank’s “collateralized” obligations and is approximately equal to AgriBank’s capital. The FCSIC does not insure any payments on the Series A Preferred Stock or any class of our common stock, preferred stock or subordinated notes.

To the extent we must fund our allocated portion of another Bank’s portion of the Systemwide Debt Securities as a result of its default on those securities, our earnings and capital would be reduced, possibly materially.

We are subject to regulation under the Farm Credit Act.
We, along with the ACAs, FLCAs, PCAs, FCBs and related service organizations in the System, are subject to regulatory oversight and examination by the Farm Credit Administration (FCA) under the Farm Credit Act. A number of rules and regulations are imposed on the operations of the Bank under the Farm Credit Act. Any change in the rules or regulations that govern the Bank's business could have a material impact on the Bank and its operations. Rules and regulations may change from time to time and the interpretations of the relevant rules and regulations also are subject to change.

The Banks are subject to the supervision of, and regulation by, the FCA, including with respect to complying with certain capital requirements. The FCA periodically updates and revises these requirements, including to take into account new capital requirements adopted by the U.S. banking regulators. In this regard, revised capital requirements become effective January 1, 2017, that are more consistent with those the U.S. banking regulators have adopted under the Basel Accord (Basel III) for U.S. banks. In addition, the FCA intends to complete a study by the end of 2017 to determine whether to align its liquidity requirements with those requirements of the U.S. banking regulators and Basel III. Compliance with capital requirements or proposed and adopted liquidity or other requirements, may limit the System's business activities and could adversely affect its financial performance.

As of December 31, 2016 FCA rules and regulations include requirements to maintain regulatory capital at or above minimum levels for our permanent capital ratio, total surplus ratio, core surplus ratio and net collateral ratio. Effective January 1, 2017, the revised regulatory capital rule replaces existing core surplus and total surplus ratios with common equity tier 1, tier 1 and total capital risk-based capital ratios. The final rule also replaces the existing net collateral ratio with tier 1 leverage and unallocated retained earnings equivalents ratios. The permanent capital ratio continues to remain in effect with the final rule. A capital conservation buffer was also added as part of the new requirements for risk-adjusted ratios and will be phased in over three-years. If the capital ratios fall below the total requirements, including the buffer amounts, we would be restricted or prohibited under the Farm Credit Act and FCA Regulations from paying patronage refunds or distributions, dividends on our preferred stock, including shares of Series A perpetual Preferred Stock, or discretionary senior executive bonuses without prior FCA approval. The FCA has broad discretionary authority to bring enforcement actions whenever we fall below these prescribed standards or when the FCA otherwise determines that our capital is insufficient, including, without limitation, the power to issue a capital directive or a cease and desist order.

Our funding is dependent upon the System's ability to access the capital markets.
Our ability to fund our operations, meet our financial obligations, including unfunded commitments to extend credit, and generate income depends on the System's ability to issue Systemwide Debt Securities in the debt markets on a regular basis with select maturities and structures at attractive rates. The System's ability to continue to issue Systemwide Debt Securities depends, in part, on the conditions in the capital markets at that time, which are outside the System's control. As a result, the System cannot make any assurances that it will be able to issue competitively priced debt or issue any debt at all. If the System cannot issue competitively priced debt or cannot access the capital markets, the System's ability to access funding would be negatively impacted, which would have a negative effect on our financial condition and results of operations, which could be material.

Factors which could have an adverse effect on the System's ability to issue Systemwide Debt Securities at favorable rates and terms.

The System's government-sponsored enterprise (GSE) status has been an important factor in its ability to continually access the debt capital markets. In addition, the System's funding costs historically have been below that of similar non-GSEs. However, as a direct result of the financial difficulties experienced by the housing related GSEs, with both Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Company (Freddie Mac) having been placed into conservatorship by the U.S. government, housing related GSE status reform has been and will continue to be a topic of debate by Congress and the U.S. Administration. While the status and reform debate has not to date specifically related to the System, a potential risk exists that the System, as a GSE, may directly or indirectly be impacted by the decision made as Congress addresses these and other GSEs. Any change in the System's status as a GSE or the general perception by investors of GSE status could have a significant adverse impact on the System's ability to issue debt at favorable rates and terms.

The System is also subject to periodic review by credit rating agencies. Any event that could have an adverse impact on the System's financial condition or results of operations may cause the rating agencies to downgrade, place on negative watch or change their outlook on the System's credit ratings which could have an adverse effect on the System's ability to issue Systemwide Debt Securities at favorable rates and terms and could trigger additional collateral requirements. Also, changes in the credit ratings or credit ratings outlook of the U.S. government may influence changes in the System's credit ratings and credit ratings outlook given its status as a GSE.

Any downgrades in credit ratings and outlook could result in higher funding costs or disruptions in the System's access to capital markets. To the extent that the System cannot access funding when needed on acceptable terms or is unable to effectively manage its costs of funds, its financial condition and results of operations could be negatively affected.

The System also competes for competitively priced debt funding with the U.S. Treasury, other GSEs, including Fannie Mae, Freddie Mac and the Federal Home Loan Banks, and other highly rated institutions and companies. Competition for debt funding from these entities can vary with changes in economic, financial market and regulatory environments. In addition, any change in the perceptions of GSE status may intensify competition with other highly rated institutions and companies in connection with the issuance of Systemwide Debt Securities. Increased competition for competitively priced debt funding of highly rated institutions may result in a higher cost to finance our business, which could negatively affect our financial results. An inability to issue Systemwide Debt Securities at favorable rates in amounts sufficient to fund its business activities and meet its obligations could have an adverse effect on its liquidity, financial condition and results of operations.

We are exposed to political risk.

Political risk is the risk that adverse consequences through U.S. Government actions or inactions could affect the viability of the Farm Credit System or create instability in agriculture, impacting the viability of Farm Credit System borrowers. The Farm Credit System, as a GSE, is directly at risk of changing legislation. Legislative change could inhibit our ability to fulfill the Farm Credit mission of reliably extending credit to agricultural producers and rural communities. Changes to GSE status have the potential to negatively affect Farm Credit System debt funding flexibility and costs. The System is also influenced by changes to trade policies and farm programs, including the Farm Bill and crop insurance

support. Legislative and policy changes that adversely impact the System may negatively influence our borrowers' financial results, ultimately affecting our credit quality.

We manage political risk by monitoring and remaining abreast of pending legislative changes. When necessary we proactively address political concerns by communicating our views on positions and policies directly to our congressional representatives and by supporting our own System councils and industry trade associations representing System interests before Congress.

We are exposed to credit risk.
In the course of our lending and investment activities, we are exposed to credit risk. Credit risk arises from changes in a borrower's or counterparty's ability or willingness to repay funds borrowed or meet agreed-to obligations, changes in collateral values and changes in prevailing economic environments.

Factors that can influence our credit risk exposure include, but are not limited to:

- A general slowdown in the global economy and the relationship of demand for, and supply of, U.S. agricultural commodities in a global marketplace
- Political or regulatory changes that disrupt or modify an established market
- Major international events, including a downturn in the world economy, military or other armed conflicts, political disruptions, civil unrest or trade agreements, which can affect, among other things, the price of commodities or products used or sold by our borrowers or their access to markets
- Changes in financial and credit markets, which could affect our ability to buy and sell loan exposures or issue debt
- Fluctuations in prices of agricultural commodities
- Weakness in the U.S. financial, housing and mortgage markets that may impact the carrying value of certain of our mortgage-related investment securities and the ability of our derivative counterparties to perform under the terms of their contracts
- Changes in the general U.S. economy that may impact the availability of off-farm sources of income and prices of real estate
- Changes in farmland values
- Extreme adverse seasonal or weather conditions (such as flooding or drought) or market-related risks that significantly affect agricultural production and commodity prices
- The deteriorating credit quality or bankruptcy of market participants
- Changes in technology, regulations or shifts in demographics
- Changes in production expenses (such as feed, fuel and fertilizer)
- An outbreak of a widespread disease in human or livestock/poultry populations
- Federal subsidies for agriculture that may be reduced or eliminated, including the federal crop insurance program
- Development of alternative uses and market for agricultural commodities, or the cessation thereof, including ethanol and other biofuel production
- Environmental conditions or laws impacting our lending activities

We believe we maintain consistent and well-developed underwriting standards and industry-specific lending guidelines, which assist in managing credit risk. We also believe we maintain adequate allowance for credit losses inherent in the loan portfolio. Additionally, we are regulated by and believe we comply with standards set by the FCA. We minimize credit risk in our liquidity investment portfolio

by investing primarily in securities issued or guaranteed by the U.S. government or one of its agencies. We employ many tools to manage credit risk exposures. While we believe these standards and tools are appropriate to manage our credit risk, there is no assurance that significant deterioration in credit quality will not occur, which would reduce our earnings, possibly materially.

We are exposed to interest rate and counterparty risk.

In the course of our lending and investment activities, we are subject to interest rate risk, which is defined as the risk of changes to future earnings or long-term market value of equity due to changes in interest rates. Interest rate risk arises from differences in timing between the contractual maturity, repricing characteristics and prepayments of our assets and the contractual maturity and repricing characteristics of the financing obtained to fund these assets. The risk can also arise from differences between the interest rate indices used to price our assets and the indices used to fund those assets. While we have asset/liability management policies, including risk limits, and strategies to actively manage our interest rate risk, including an Asset and Liability Committee comprised of a cross-functional group of senior leaders, there can be no assurance that our interest rate risk management procedures will be effective or that changes in interest rates will not adversely impact our earnings and capital.

We fund real estate mortgage loans through District Associations and purchase mortgage-backed and asset-backed securities that are impacted by changes in interest rates. Changes in interest rates can significantly impact the prepayment patterns of these assets and thus affect our earnings. We strive to manage or reduce this risk by “match-funding” debt securities issued to the maturities of our loans and investments and entering into interest-rate derivative transactions, and through the rebalancing of cash-flow mismatches of assets and liabilities. Our inability to “match-fund” debt securities to longer-term assets may increase the prepayment risks.

We use derivative financial instruments to minimize the financial effects on our business of changes in interest rates and must determine the nature and quantity of these hedging transactions. The effectiveness of the hedging transactions depends upon management’s ability to determine the appropriate hedging position, taking into consideration our assets, liabilities and prevailing and anticipated market conditions. In addition, the usefulness of the hedging strategy depends on the availability in the market of cost-effective hedging instruments and the ability to enter into hedging transactions with high quality counterparties. If we are unable to manage our hedging position properly it will negatively impact our financial condition and results of operations. We also face the risk of operational failure of any of the clearing members, exchanges, clearinghouses, or other financial intermediaries used to facilitate such hedging transactions. If a clearing member or clearinghouse were to fail, we could experience losses related to any collateral we had posted with such clearing member or clearinghouse to cover initial or variation margin. A default by a counterparty with significant obligations to us could adversely affect our ability to conduct our operations efficiently, which in turn could adversely affect our results of operations or our financial condition. To minimize the risk of credit losses, we have developed credit risk management policies and procedures as well as counterparty credit requirements.

If market interest rates move contrary to our interest rate risk position, our earnings and the net present value of our interest-sensitive assets and liabilities will be adversely affected.

We realize income primarily from the spread between interest earned on our loans and investments and the interest paid on borrowings. Also, it is expected that we will from time to time incur interest

rate risk in the form of “gaps” in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest earning assets, or vice versa. In either event, if market interest rates should move contrary to our position, the “gap” will adversely affect earnings and the net present value of our interest-sensitive assets and liabilities.

We and District Associations are exposed to risks associated with the agricultural industry and commodity prices.

We are chartered to make loans to District Associations and other financing institutions (OFIs), as provided in the Farm Credit Act. Due to these statutory provisions, we have a significant concentration of lending to agricultural concerns. Our loan portfolio consists of wholesale loans to District Associations, OFIs and participations with other lenders in loans to Eligible Borrowers. Our earnings, loan growth and the credit quality of our lending portfolio can be impacted significantly by the general state of the agricultural economy. In general, the overall U.S. farm economy has experienced a sustained period of favorable conditions that has benefitted from generally strong demand for U.S. agricultural products. Our financial results have been favorably impacted during this period of time. However, production agriculture remains a cyclical business that is heavily influenced by the demand for U.S. agricultural products and by commodity prices. Regional agricultural economies within our territory can be impacted by weather, domestic and international demand for food and other agricultural products and other factors. Extreme seasonal conditions can substantially impact grain harvests and commodity prices and, ultimately, impact the credit quality of agricultural borrowers. In addition, declining land values are a potential lending risk following periods of sustained, rapid land value increases.

Furthermore, the U.S. agricultural sector receives significant financial support from the U.S. government through payments authorized under federal legislation, including USDA-sponsored crop insurance programs. While U.S. government support for agriculture has historically remained consistent, congressional efforts to decrease the U.S. budget deficit likely will result in continued pressure to reduce federal spending. The significant reduction or elimination of such support programs would have a negative impact on the credit quality of certain borrowers. As a result, our earnings could be reduced, possibly materially.

Fluctuations in both commodity prices and production expenses (including interest rates), may have an adverse impact on the cash flow and profitability of certain District Association borrowers as well as our participations, which, in turn, may negatively affect their ability to repay their loans. While certain borrowers are negatively impacted by these conditions, other borrowers may benefit. For example, decreased prices for grains will result in lower risk profiles for livestock producers, processors and marketers of grains and oilseeds, and borrowers that purchase corn or other grains for use in their products. However, grain farmers may be negatively impacted by lower prices. Fluctuations in the agricultural commodities market and the cost of farm inputs may adversely impact the credit quality of the System’s loan portfolio and, as a result, negatively affect operating results.

The volatility and prices for both crude oil and gasoline, diesel fuel and other refined petroleum products fluctuate widely and can have an adverse impact on the cash flow of our Association borrowers, as well as our participations. Additionally, the level of mineral income generated from mineral rights we own is a function of oil prices. Various factors beyond our control influence these

prices, including, but not limited to: levels of worldwide and domestic supplies, the ability of the members of the Organization of Petroleum Exporting Countries (OPEC) to agree to and maintain oil price and production controls, the price and level of foreign imports and exports, disruption in supply, the level of consumer demand, the price and availability of alternative fuels, the availability of pipeline capacity, and domestic and foreign governmental regulations and taxes. Our mineral income is predominantly derived from royalties received from the extraction of crude oil. Should extraction slow or stop entirely, our mineral income could be severely and adversely impacted.

We and District Associations may lend only to qualified borrowers in the agricultural and rural sectors and certain related entities and are subject to geographic lending restrictions.
Unlike commercial banks and other financial institutions that lend to both the agricultural sector and other sectors of the economy, we and District Associations are restricted solely to making loans and providing financial services to qualified, eligible borrowers in the agricultural and rural sectors and to certain related entities. In addition, we are subject to certain geographic lending restrictions. As a result, we do not have as much flexibility in attempting to diversify our loan portfolios as compared to commercial banks and other financial institutions. This concentration may limit our ability to offset adverse performance in one sector against positive performance in another sector like most diversified financial institutions.

We are exposed to risks associated with our investments.
We maintain a liquidity plan covering certain contingencies in the event our access to normal funding mechanisms is not available. We purchase only high credit quality investments to best position our investment portfolio to be readily marketable and available to serve as a source of funding in the event of disruption of our normal funding mechanisms. Our liquidity investment portfolio can also be used as collateral to borrow funds to meet obligations.

The majority of our investment portfolio consists of securities issued or guaranteed by GSEs or the U.S. government, which remain liquid. The remainder of our investment portfolio represents investments in commercial paper, federal funds, certificates of deposit, asset-backed securities, and non-agency mortgage-backed securities. In further support of our liquidity, we have cash on deposit at the Federal Reserve Bank.

Uncertainty in financial markets or distressed economic conditions may significantly reduce the liquidity of our investments and may make it difficult for us to sell such investments if the need arises. In addition, because of the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a liquid market existed for the investments.

We are subject to legal proceedings and legal compliance risks.
We are subject to a variety of legal proceedings and legal compliance risks. We are at times reviewed by the FCA and other governmental authorities, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims and damages. While we believe that we have adopted appropriate risk management and compliance programs, legal and compliance risks will continue to exist and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time.

We are subject to reputation risk.
Reputation risk arising from negative public opinion could adversely affect our ability to obtain financing, impede our ability to hire and retain qualified personnel or expose us to greater regulatory scrutiny or adverse regulatory or legislative changes. Such risk encompasses the loss of confidence, trust and esteem among customers, investors, partners, policymakers, shareholders and other key stakeholders. Like all businesses, we are subject to a wide variety of reputation risks both within and outside our control, including credit difficulties with individual customers or industries, business disputes, lawsuits, credit market disruptions, regulatory events and public allegations of misconduct against associates. As a member of the System, we could also be indirectly impacted by events that damage the reputation of another System entity. The Board of Directors and our management regard our reputation as a critical asset and have implemented a number of policies, procedures and programs to ensure it is protected.

AgriBank and District Associations face intense competition from competitors, many of whom are substantially larger and have more capital and other resources than AgriBank and District Associations.
AgriBank and District Associations face intense competition, primarily from mortgage banking companies, commercial banks, thrift institutions, insurance companies, finance companies, and other non-traditional sources of funding. Many of these competitors in the financial services business are substantially larger and have more capital and other resources than AgriBank or the District Associations. AgriBank's and District Associations' future results may become increasingly sensitive to fluctuations in the volume and cost of their retail lending activities resulting from competition from other lenders and purchasers of loans. There can be no assurance that AgriBank and District Associations will be able to continue to compete successfully in the markets served.

Our ability to attract and retain qualified employees is critical to successfully fulfilling our mission.
Our continued success will largely depend on our ability to attract and retain a high caliber of talent and on the efforts and abilities of key employees. This is especially crucial as we approach a potential agricultural credit or broader economic decline. Our business performance and ability to fulfill our mission could be adversely affected if our ability to attract and retain key employees is negatively impacted.

We may be subject to information technology system failures, network disruptions and breaches in data security.
We rely to a large extent upon information technology systems and infrastructure to operate our business. The size and complexity of our computer systems make them potentially vulnerable to breakdown, malicious intrusion and random attack. While our systems are primarily centralized within the AgriBank District, there is de-centralization of systems across the Farm Credit System resulting in increased complexity in the technology infrastructure. Likewise, data privacy breaches by employees and others with permitted access to our systems may pose a risk that sensitive data may be exposed to unauthorized persons or to the public. While we have invested in protection of data and information technology, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems that could adversely affect our business.

A failure or circumvention of our controls and procedures could have an adverse effect on our business, results of operations and financial condition.

We regularly review and update our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. However, no control system, no matter how well designed and operated, can provide absolute assurance that the objectives of the control systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or errors can be detected. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. In addition, while we continue to evaluate our internal controls, we cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have an adverse effect on our business, results of operations and financial condition.

An unfavorable change in U.S. tax laws or an adverse interpretation of existing tax laws could negatively impact our financial results.

We are statutorily exempt from federal taxes. Certain of the Association affiliates operate as non-exempt cooperatives. As such, they are eligible, under Subchapter T of the Internal Revenue Code, to deduct or exclude from taxable income amounts determined to be qualified patronage dividends. A change in U.S. tax law or an adverse interpretation of existing tax laws in a manner that reduces or eliminates these tax benefits or that is different from our application of such laws would negatively impact our results of operations.

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